



COMMUNITY OVERVIEW AND SCRUTINY COMMITTEE

Committee Report

Public

Date of Meeting: 12 February 2009

Title: AMALGAMATION OF CARLISLE HOUSING ASSOCIATION WITH
THE RIVERSIDE GROUP

Report of: Director of Legal and Democratic Services

Report reference: LDS.21/09

Summary: The report attached updates Members on discussions which have taken place with the Riverside Group and Carlisle Housing Association (CHA) on the proposals for amalgamation since the Executive last considered the matter on 22 September 2008.

Recommendation:

Members to comment upon the report.

Contact Officer: John Egan

Ext: 7004

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: LDS.17.09



REPORT TO EXECUTIVE

PORTFOLIO AREA:

Date of Meeting: 16 February 2009

Public

Key Decision: Yes

Recorded in Forward Plan:

No

Inside Policy Framework

Title: AMALGAMATION OF CARLISLE HOUSING ASSOCIATION
WITH THE RIVERSIDE GROUP

Report of: DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES

Report reference: LDS.17/09

Summary:

The report updates Members on discussions which have taken place with the Riverside Group and Carlisle Housing Association (CHA) on the proposals for amalgamation since the Executive last considered the matter on 22 September 2008.

Recommendations:

The Executive are requested to consider whether or not, in the light of the response by Riverside to the concerns which were raised by the Executive and the additional protective safeguards which Riverside have offered to provide to address them, they are able to support the proposals.

Contact Officer: John Egan

Ext: 7004

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 Members will recall that, on 22 September last, they received a request from CHA to consider proposals for an amalgamation with the Riverside Group, seeking the Council's views on those proposals and its consent to their implementation. The Executive were also asked to agree to enter into a formal Deed of Variation with CHA and Riverside to implement the proposals and make changes to the existing transfer documentation between the parties where this might be required to accommodate the amalgamation.
- 1.2 The request to agree to the proposals was set out in a report from the Director of Development Services (DS.109/08) and this is attached as Appendix 1 for Members' information. The proposals involve CHA amalgamating with Riverside and its other housing association subsidiaries to form a new Riverside Group Limited which would be a new charitable Industrial and Provident Society. Some of the reasons for the amalgamation, as stated by CHA, are to create a more flexible organisation, better able to react to change, to make better use of its assets and skills and to offer tenants better value for money through improved procurement and competitive tendering. Riverside also believe that recent movements in the financial markets mean that larger organisations with a broader asset base will have greater capacity to access funds and that the sum of an amalgamated body will be greater than any individual part in this respect.
- 1.3 Report DS.109/08 also raised a number of issues and concerns in respect of the proposals where information appeared to be lacking. The Executive therefore decided, under Minute EX.246/08, that they needed to seek further clarification on the issues raised and that they could not, at that time, support the amalgamation proposals. A copy of the Executive minute is attached as Appendix 2.
- 1.4 The Council consequently wrote (under the hand of the Town Clerk and Chief Executive) to CHA on 6 October last and set out in detail the reasons why it felt unable to support the proposals as presented. A copy of the letter is attached as Appendix 3. The letter indicated that, if CHA wished to provide any further information on the concerns which had been raised, then they would be reported back to the Executive for consideration.
- 1.5 Since then, discussions have taken place with officers and advisers of the Council, Riverside and CHA in respect of the issues raised by the Council to ascertain whether they were capable of being addressed. The points of concern which were discussed are fully set out in the Town Clerk and Chief Executive's letter and it is not proposed to rehearse them here. Suffice to say that some of the more important issues discussed were the need to retain a local focus and control in terms of management, accountability to tenants and finance as far as this might be achievable under an amalgamated structure. The discussions centred on whether appropriate protective provisions to address the Council's concerns could be devised and built into the legal documentation with Riverside to ensure

future enforceability by the Council. It was stressed, of course, that any such proposals which might be tabled were dependent on Council approval through the Executive.

- 1.6 In an endeavour to explain their position more fully, Members will know that the Chair and officers from Riverside met members of the Executive informally on the 15 January last. At that meeting, the Executive Members raised particular concerns regarding the nature and extent of the consultation exercise carried out by Riverside on its proposals, and expressed the view that they would need to be satisfied as to its independence and robustness, as indeed the Council had done with the original LSVT consultation. Riverside therefore undertook to commission an independent revaluation of the “Better Together” proposals, particularly the tenant consultation exercise carried out in Carlisle. They have now done this and a copy of the evaluation, carried out by Campbell Tickell, is attached as Appendix 4 for Members consideration.

The proposed Deed of Variation

- 1.7 The letter from the Town Clerk and Chief Executive in Appendix 3 sets out the concerns raised by the Executive. The subsequent discussions with Riverside, CHA and their advisors at officer level have looked at how they might be addressed and protective provisions built into revised legal documentation between the parties. In these discussions, officers have been assisted by advice from the firm of external lawyers who worked with the Council when the original LSVT transfer documentation was completed. It would be possible to include protective provisions in the relevant legal documentation along the following lines to address the principal concerns raised by the Executive :

1.7.1 **Constitutional issues**

The Council is concerned that, on amalgamation, the independence of management of the Carlisle Stock would not remain. In order to preserve this independence a contractual obligation will be inserted into the Deed of Variation (where the new amalgamated body is referred to as the “Amalgamated Body”) to replicate the existing CHA Board structure in a new divisional structure. This would be the “Local Divisional Board”. The establishment of such a board would address the Council’s concerns on securing local control.

A contractual provision would be inserted into the Deed of Variation to accommodate the Council’s requirements for standing orders to be in place to clarify the ongoing responsibility of the Local Divisional Board, which would include monitoring and developing the housing service on a local platform as at present,

The contractual provisions would provide as follows:

- *Riverside Carlisle shall at all times have a divisional board (the Local Divisional Board):*

- *The initial Riverside Carlisle Local Divisional Board shall be comprised of the individuals who immediately prior to the Amalgamation formed the board of Carlisle Housing Association Limited.*
- *The future Riverside Carlisle Local Divisional Board will be comprised of equal numbers of*
- *nominees of Carlisle City Council,*
- *residents of housing stock owned or managed by the Amalgamated Association in the Riverside Carlisle area of operation and*
- *independent persons*

together with the divisional director of Riverside Carlisle and up to one other employee of the Riverside Group specified by The Riverside Group Limited board from time to time.

- *The delegated authorities of the Riverside Carlisle Local Divisional Board shall be such as to ensure that the development, monitoring and accountability of the services to residents of the Riverside Carlisle housing stock shall be led by that Board and shall be substantially as set out in Schedule 5 Part A and Schedule 2 Part B of the Riverside Group Framework Agreement as at the date of the Amalgamation.*
- *Any change to the provisions described in the above clauses may only be made by the Amalgamated Association with the consent of the Council [This clause will provide that the Council will preserve the controls which cannot be changed without its consent].*

1.7.2 **Staff issues**

The Council was concerned that as a result of the amalgamation there would be a loss of senior management at a local level. To ensure this does not occur, the Deed of Variation would be amended so as to provide for a senior local manager in Carlisle having appropriate seniority and responsibility at an appropriate level.

The contractual provision would be as follows:

The Amalgamated Association shall ensure that Riverside Carlisle is serviced by one or more employees of sufficient seniority and responsibility to act effectively as a local champion and to promote the Amalgamated Association in Riverside Carlisle's local area of operation.

1.7.3 **Charitable status**

The Council had concerns relating to the VAT shelter which depended on charitable status being maintained after CHA had amalgamated within the Riverside Group. To ensure the VAT shelter is not affected the Council require confirmation from Riverside that the new amalgamated body will be a charitable industrial and provident society and HM Revenue and Customs had confirmed that the objects of the amalgamated association are charitable for tax purposes.

The Council has received assurance that the Inland Revenue and Customs has accepted that the Amalgamated Body would be accepted as a charitable body.

1.7.4 **Area offices**

The Council wanted assurance that local presence of CHA offices would remain within Carlisle after amalgamation. These following two provisions would replicate the existing position.

Three local offices within Carlisle would remain and this would not be changed from the existing obligation. In relation to a central office in Carlisle, there would be a contractual provision to amend the existing Deed of Covenant so that there will be a divisional headquarters in Carlisle and that if the amalgamated body decided to move this outside the Local Authority's area, full consultation will be required with the Council.

The contractual provisions would be as follows:

- *To consult with the Council in relation to the siting of the Divisional Headquarters Office of Riverside Carlisle and in the event that the Association wishes to locate such office outside the boundary of the District of the City of Carlisle to submit for formal and reasonable consideration by the Association's Board any representations which the Council may make in relation to the Association's proposals.*
- *To maintain at least three local offices the locations of such offices to be within the local area of Carlisle.*

1.7.5 **Property income**

The Council wanted assurance that income which is generated in Carlisle from rents and receipts is spent primarily in the Carlisle area in order to replicate the existing position in the Deed of Covenant signed on completion of the housing transfer and render the Council in a no less advantageous position as a result of the amalgamation.

A contractual provision in the Deed of Variation would be inserted to this effect to ensure any newly created Amalgamated Association not only complies with the covenant but is accountable in a prescribed manner to the Council to account for income and its distribution in Carlisle on a regular basis.

The contractual provisions we would require are as follows:

- *Any income or receipt which is generated from housing stock within the Carlisle area shall be primarily spent locally within the Carlisle area and for the benefit of the Carlisle tenants.*
- *In addition to any other monitoring role of the Riverside Carlisle divisional board it shall receive regular reports on the rental income and receipts arising from its housing stock including income from the sale of Right to Buy properties and upon expenditure on the management maintenance repair modernisation improvement and other expenses in relation to such housing stock*

1.7.6 **Promises**

Both the Council and CHA have a responsibility to deliver and secure the 'promises' made in the consultation document under the Transfer Agreement.

A contractual provision would be required in the Deed of Variation to the effect that the transfer promises would be fully adhered to with the exception of the changes of the Board structure which is necessary following the amalgamation.

The contractual provision would be as follows:

- *The Riverside Group Limited will use all reasonable endeavours to fulfil all of the other promises to former secure tenants of the Council and transferring introductory tenants as set out in the Consultation Document. Save that this clause shall be treated as deleted in so far as it relates to the description of the Association and its Board [ie Carlisle Housing Association] and the Riverside Group as set out in the Consultation Document. Other references to the Association in the Consultation Document shall be treated as if amended to be references to the Amalgamated Association.*

1.7.7 **Other provisions**

The Council would also need to be satisfied that:

- funders had given written consent to the proposals;
- the Financial Services Authority had consented to the amalgamation;
- consent has been obtained from the TSA (Housing Corporation);

and agreement to the Rule change of CHA would be conditional upon receiving copies of the same.

- 1.8 In respect of the concerns expressed regarding the tenant consultation carried out by Riverside, it is a matter for the Executive to take a view on this in the light of the report prepared by Campbell Tickell at Appendix 4.

2. CONSULTATION

2.1 Consultation to Date.

The earlier proposals were submitted to Community Overview and Scrutiny Committee for a view on 28 August last.

2.2 Consultation proposed.

It is proposed that this further report similarly will be considered by the Community Overview and Scrutiny Committee at its meeting on 12 February 2009.

3. RECOMMENDATIONS

The Executive are requested to consider whether or not, in the light of the response by Riverside to the concerns which were raised by the Executive and the additional protective safeguards which Riverside have offered to provide to address them, they are able to support the proposals.

4. REASONS FOR RECOMMENDATIONS

To enable the Executive to respond on behalf of the authority to the amalgamation proposals and any consequential amendments to the legal documentation.

5. IMPLICATIONS

- Staffing/Resources – There are no direct consequences in these areas for the Council's staff or resources, other than legal resources to deal with any amendments to the transfer documentation if this is authorised.
- Financial – There should be no change in the Council's financial position arising from the proposals.
- Legal – They are included in the report.
- Corporate – None

- Risk Management – These have, to the extent that they apply, been addressed in the proposed amendments to the Deed of Variation.
- Equality and Disability – None
- Environmental – None
- Crime and Disorder – None
- Impact on Customers – The Campbell Tickell report deals with the consultation with tenants carried out by Riverside.



REPORT TO EXECUTIVE

PORTFOLIO AREA: HEALTH AND WELLBEING

Date of Meeting: **26th August 2008**

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: **AMALGAMATION OF CHA WITH RIVERSIDE HOUSING GROUP LTD**

Report of: **Director of Development Services**

Report reference: **DS.109/08**

Summary:

The report sets out a proposal from Carlisle Housing Association to amalgamate with Riverside Housing Group Ltd. CHA requests a response from the Council on a draft Deed of Variation.

Recommendations:

The Executive is asked to make any initial comments on the proposal and to refer the information received from CHA to Community Overview and Scrutiny for their comments.

Contact Officer: Simon Taylor

Ext: 7327

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 Carlisle Housing Association (CHA) has approached the City Council regarding a proposal to amalgamate CHA with the Riverside Group Ltd and its other housing association subsidiaries, to form a merged housing association. The attached letter and accompanying documents provide more detail and sets out:
- The rationale behind the proposal
 - The detail of the proposed amalgamation
 - The implications for existing legal agreements between CHA and the Council, with CHA's proposals for varying these agreements to enable the amalgamation to proceed.
- 1.2 Further information has also been provided to set the proposal in context. This note, also attached, summarises progress against the commitments made in the original 'offer' document.
- 1.3 Solicitors for CHA have prepared a draft Deed of Variation and CHA is asking the Council to consider this and agree to enter into it. The documentation is available if Members wish to view it.
- 1.4 The purpose of the Deed is to give legal effect to the proposals set out in the letter. In making its response, the Council therefore needs to consider what the proposals might mean in a practical way for the Council, the tenants and housing provision in Carlisle. This will involve consideration of such matters as:
- The impact on local control and accountability
 - Whether the local focus will be diluted and what impact this might have
 - The proposals for a local board, how this will be implemented
 - The use of revenue collected locally, within what will become a bigger geographical area for the housing association.

2. CONSULTATION

- 2.1 **Consultation to Date** - This is a consultation for the Council from CHA.
- 2.2 **Consultation Proposed** - Details of CHA's consultation process with tenants in contained within the letter.

3. RECOMMENDATIONS

- 3.1 The Executive is asked to make any initial comments on the proposal and to refer the information received from CHA to Community Overview and Scrutiny for their comments.

4. REASONS FOR RECOMMENDATIONS

- 4.1 To enable a response to be given to CHA.

5. IMPLICATIONS

- **Staffing/Resources** – None
- **Financial** – If this amalgamation proposal is approved, care will need to be taken to ensure that any financial and other commitments entered into by CHA at the time of transfer are fully taken over by the merged association in order to preserve the Council's interests. Key financial commitments include those in relation to the Preserved Right To Buy receipts, and the current arrangements for the sharing of other capital receipts. The continuation of the VAT shelter, which in simple terms enabled considerable additional investment to be made in the transferred stock by CHA, will also need to be confirmed. These and other matters will have to be addressed as part of the process of agreeing the Deed of Variation. This process is discussed in more detail in the legal comments below.

Legal –

- **BACKGROUND**

1.

- 1.1 The Council transferred the whole of its housing stock to Carlisle Housing Association Limited (CHA) on 9 December 2002. CHA is a free-standing Industrial Provident Society set up for this specific purpose. Although established as a separate body, CHA always was and still is part of the Riverside Group Ltd.
- 1.2 The Transfer Contract consisted of a complex suite of documents comprising of the main contract, supplemented by a further twenty schedules and eleven supporting annexes. The documentation effectively transferred the houses and associated land from the Council to CHA and covered a wide range of other diverse obligations

from sharing right to buy receipts, the transfer of staff, dealing with deficits on the pension fund, the provision of certain services to CHA and a host of other consequential matters arising on a transfer of assets and staff on such a scale. The various contractual obligations arising on the transfer were created as between CHA and the Council as the named parties to the transfer contract and are currently enforceable as between those parties.

- 1.3 The transfer itself was a complex exercise and the authority sought external legal advice on the documentation from a firm (Wright Hassall) specialising in Large Scale Voluntary Transfers (LSVTs) of local authority housing stock. The proposals for amalgamation have been discussed with Wright Hassall and their advice has been built into the comments set out below and will be sought further if the matter proceeds, and CHA have been requested to confirm that they will meet the costs of this.

2. THE PROPOSALS FOR CHANGE

- 2.1 The proposals from Riverside to change the current arrangements and the reasons for wishing to do this are set out fully in the attached correspondence from Patrick Leonard, the Managing Director of CHA. It is proposed that CHA amalgamate with Riverside and its other housing association subsidiaries. The merged Riverside Group Limited (Group) will be a new charitable Industrial & Provident Society. The reason for this amalgamation, as stated by CHA, is to create a more flexible organisation, better able to react to change rapidly, to make better use of its assets and skills and to offer tenants better value for money through improved procurement and competitive borrowing.
- 2.2 An amalgamation of these housing associations under Section 50 of the Industrial and Provident Societies Act 1965 is :

“two or more registered societies by way of special resolution of each of those societies becoming amalgamated together as one society with or without the any dissolution or division of the funds of those societies. The property of each of the societies shall become vested in the amalgamated society without the necessity of any form of conveyance other than that contained in the special resolution”.

- 2.3 This means that if CHA were to amalgamate with Riverside, an amalgamated entity will be created combining the assets and liabilities of both societies. All contractual relationships with the original organisations become relationships with the amalgamated society. Therefore, any contractual relationship that the Council holds with CHA becomes a contractual relationship with the amalgamated society. Any obligations and rights of the Council, as they are now, pass over to the amalgamated society so the interests of the Council are fully protected and the obligations of the Council remain. The draft Deed of Variation which the Council has been requested to enter into if the proposals go ahead is intended to reflect the position outlined above and to provide comfort to the Council that the amalgamated association would continue to meet all of CHA's current obligations under the existing contractual documentation, save for any changes to reflect the new organisation's board structure which will differ from that of CHA.
- 2.4 This will obviously address an important concern of the Council that existing liabilities of CHA to the Council will still be preserved and enforceable. Thus, the obligations of CHA and the rights of the Council under the following documents will be transferred as a result of the amalgamation.
- Right to Buy Sharing Agreement
 - VAT Sharing Arrangement
 - Allocations Policy and Nominations Deed
 - Civil Emergency Agreement
- 2.5 The amalgamation resolutions approve a set of rules for the new merged entity (the Group) which would be registered with the Financial Services Agency (FSA) with the amalgamation resolutions. A new registration number will be allocated by the FSA rather than retain the registrations of CHA and the other societies. This will have the result that the existing Board structure of CHA will cease with the right for the Council to nominate four Board Members. The Council have not been supplied with details of the Group Board but it is highly unlikely to provide for Council representation. If this is the case and the proposals were to proceed, then the Council needs to be aware of this and possibly seek redress in representation on the proposed Divisional Board.

- 2.6 The existing Deed of Covenant between the Council and CHA at para 2.17 states that CHA must consult with the Council if it wishes to merge with another Registered Social Landlord and to submit to CHA's Board any representations which the Council may make. The Council's consent is not required (as is standard in LSVTs) but Riverside must take its representations into account. However, the Housing Corporation will need to know that the Council as a major stakeholder is happy for the amalgamation to proceed. The Rules of CHA state that there must be a two thirds majority of the shareholders present at a general meeting in order for a special resolution (required for an amalgamation) to be approved. The shareholders consist of only the Board, one Council Member, one Parent Member, and up to two members of each tenant or resident representative body.
- 2.7 An amalgamation of CHA with Riverside will need to be achieved through consultation with tenants, the Council and other stakeholders and through a series of board and member meetings. As CHA and Riverside are registered as RSLs with the Housing Corporation, Housing Corporation consent for the amalgamation is required. The Housing and Regeneration Bill which may come into force later this year creates a new regulator – The Tenant Services Authority. This could mean that consent for amalgamation will be required from the Tenant Services Authority as the Housing Corporation will cease to exist.

3. ISSUES TO BE CONSIDERED BY THE COUNCIL

- 3.1 The papers received from Riverside do not give the Council sufficient information to be able to reach a considered opinion about the proposed amalgamation and more information would be required.

For example, it is likely that the Council would wish to see that the interests of its former tenants and staff are fully protected as a result of the amalgamation and would be concerned about the potential loss of local accountability. These considerations could, of course, be balanced by the long term benefits to local tenants as a result of CHA amalgamating within a larger group structure and these are all factors which the Council would need to explore further with CHA and weigh in the balance before responding.

The following issues would need to be considered further :

3.1.1 Local Authority Representation and Accountability

Under the current rules of CHA, Local Authority and Tenant Board Members have representation on the Board of CHA with the effect that both tenants and the Council have direct representation and involvement in the workings of CHA. The Deed of Variation being proposed makes provision for such Board representation to cease. Instead, a Divisional Board for “Riverside Carlisle” will be created as detailed in the letter from Patrick Leonard but there is no mention of the Divisional Board within the Deed of Variation. We do not yet have details of the proposed makeup of the Divisional Board and it is not clear, for example, whether there will be tenant and Council representation.

The Council therefore needs details of Riverside’s proposals and Wright Hassall would advise that there should be such tenant and Council representation on the Divisional Board and that the ongoing obligation to retain such local accountability should be enshrined in the Deed of Variation. They would also advise that the role of the Divisional Board be clearly defined contractually so that the Council can be satisfied so that the “Carlisle” stock can be locally managed.

3.1.2 Income from CHA Property

One of the main issues for the Council to consider is how the rental income within the Carlisle District be distributed. The Council will no doubt want to be satisfied that this rental income is in fact spent locally and not put into a central pot. Currently, rental income is spent within the local area and for the benefit of local tenants. The Council would not want this to decrease or cease as a result of a central pot being created through the amalgamation. The Deed of Covenant currently provides that the income and receipts generated from CHA’s properties is used primarily in the Council’s area (another standard LSVT provision). This covenant will need to be strengthened to ensure that there is a clear audit trail and accountability if the proposals proceed. It is also worth considering that a central, bigger pot may result in more money being spent in Carlisle.

3.1.3. Offices

The existing Deed of Covenant requires CHA to have three local offices and a headquarters based in Carlisle. This should remain within the Deed of Covenant if the amalgamation proceeds as a local area presence is extremely important for the tenants and housing functions to operate efficiently. The proposed Deed of Variation does not appear to have amended this provision but it needs to be clarified how it would work in practice.

4. **Information required**

In order for the Council to consider its position and make representations to the Board of CHA on the amalgamation it is considered that the Council should also obtain the following information :

- **Tenant Consultation –**

How was the consultation carried out? What were the results? What comments did the tenants make? How many of these replies were from CHA tenants. How were the tenants consulted e.g. copies of letters, newsletters, group forums etc?

- **Staff**

Were the staff of CHA fully consulted? What new provisions will be made for the staff? Have the TUPE Regulations been fully complied with? On amalgamation will the existing rights of CHA staff under TUPE and otherwise be honoured? Have unions been fully consulted? Will pensions continue?

- **Local people**

How will local people be looked after at local level?

- **Consultation promises**

Have these been fulfilled? If not, how will the remaining promises within the offer document be fulfilled after amalgamation? What will the reporting mechanism be after amalgamation?

- **Riverside Carlisle Divisional Board**

Will this comprise of local senior management and what function/powers will it have to serve the needs of the local area? Who will the Board consist of and what will be their roles and responsibilities? The Council will likely want to set out requirements to have as much local area representation as possible.

- **Charitable beneficiaries**

What work has been done to check that the percentage of charitable beneficiaries of the Group will be over 80% after amalgamation? Has this been cleared by the Inland Revenue? This is important because if exempt charitable status is not achieved the VAT Shelter could be jeopardised.

- **Funders**

Confirmation that all funders are happy with the amalgamation proposals.

5. THE PROPOSED DEED OF VARIATION AND THE POSITION OF THE COUNCIL

5.1 The Council are being asked to enter into the Deed of Variation and, in effect, to respond to CHA with its views on the proposals for amalgamation. It is suggested above that the Council should seek further clarification on the issues outlined above and any additional areas identified by members, prior to it being in a position to respond.

5.2 As part of any discussion with CHA and Riverside the Council, if it were to support the proposals, may wish to ensure as a pre-condition that the Deed of Variation to the Deed of Covenant within the Transfer Contract be varied in such a way as to give the Divisional Board as much local accountability as possible. The Deed of Covenant could be varied, for example, to include :

- a covenant specifying clearly the composition, powers and functions of the Divisional Board;
- a covenant to remain that satisfies the local rental income being spent in the local area and strengthened to provide for a clear audit trail and accountability;
- the existing covenant to remain in relation to offices in the area;
- covenant that the Council be consulted in relation to any future change in group structure or mergers.

- **Corporate** – CHA is a key partner in the Carlisle Partnership
- **Risk Management** – The risks to the Council will be considered as part of the legal assessment.
- **Equality and Disability** – None
- **Environmental** – None
- **Crime and Disorder** – None
- **Impact on Customers** – CHA has outlined its proposals for consulting with its tenants.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 22 SEPTEMBER 2008

EX.246/08 REFERENCES FROM THE COMMUNITY OVERVIEW & SCRUTINY COMMITTEE – THE AMALGAMATION OF CARLISLE HOUSING ASSOCIATION (Non-Key Decision)

Portfolio - Health & Communities

Subject Matter - A Minute Excerpt from the Community Overview & Scrutiny Committee of 28 August 2008 (COS.96/08) had been circulated. The Committee's questions and comments included: was there any guarantee that rent raised in Carlisle would be spent in Carlisle; the make up and decision making powers of the Local Board; whether there would be a Carlisle representative on the Group Board; would there be any re-structuring or loss of jobs in Carlisle; the question of local ownership of assets; the level of Council representation on the Board; whether competing for investment against areas of great deprivation would be detrimental to Carlisle; and the honouring of the previously agreed Investment Plan.

The Chairman of the Community Overview and Scrutiny Committee reported to Members that some questions remained unanswered following the presentation by CHA, and added that until more detailed information was provided, the Committee was opposed to the planned amalgamation. The Portfolio Holder also expressed reservations about many of the issues of concern highlighted by the Committee. Councillor Bloxham expressed doubts that the proposal was in the best interests of Carlisle's tenants and residents.

Summary of options rejected - None

DECISION

That the Executive

1. Take account of the comments and concerns of the Community Overview & Scrutiny Committee.
2. Seek further clarification of the issues raised.
3. Cannot, at this time, support the amalgamation of Carlisle Housing Association with The Riverside Group.

Reasons for Decision - To consider the reference from the Community Overview & Scrutiny Committee.

Town Clerk and Chief Executive

Maggie Mooney
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Your ref:
Our ref: MM/LT

6 October 2008

Dear Patrick

**RE: CARLISLE HOUSING ASSOCIATION LIMITED – PROPOSED AMALGAMATION
WITH THE RIVERSIDE GROUP LIMITED**

I am writing further to your letter of the 16 July seeking the Council's views on the proposed merger of Carlisle Housing Association with the Riverside Group and asking the Authority to consider entering into the draft Deed of Variation enclosed with your letter. You have, since writing the letter, kindly attended the City Council's Community Overview and Scrutiny Committee on the 28 August last to answer some of the questions raised by Members on the proposals for amalgamation. The Executive considered the matter on the 22 September last including the various comments made by the Overview and Scrutiny Committee. The Executive resolved that, at this time, they were not able to support the proposed amalgamation because, on the basis of the information provided, they did not see that the proposals would benefit Carlisle tenants and residents. I have set out below some of the matters of concern and areas where the need for clarification was raised:

1. Constitutional Issues

Your letter of the 16 July referred to the proposed "Framework Agreement" and the "Governance Arrangements" in relation to the working of the Riverside Carlisle Development Board, but no draft of these arrangements was provided for the Council to consider. In addition to the above, no details of the standing orders of the proposed Carlisle Board or details of its roles and functions were provided to enable Members to consider how it would operate.



The Authority has concerns that the independence of management of the Carlisle stock within Carlisle will remain and be guaranteed for the future and would need to see robust safeguards within these documents. The Council would wish for the ability to give consent to any changes in these arrangements, having regard to the fact that, in resolving to proceed with the LSVT in 2002, it sponsored an independent subsidiary body run by its own Board and owning its own assets. An amalgamation would appear to render any form of demerger in the future technically difficult, if not impossible, but we would suggest that such an option should be explored.

2. Resident Consultation

Members have concerns regarding the consultation with residents on the proposals and this was a particularly significant issue, given that the initial proposals to transfer were subject to extensive tenant consultation and a ballot. The Members have not been supplied with copies of letters to the "Carlisle" "tenants" with details of any responses in respect of the first phase of the consultation and, similarly, in respect of the phase two consultation, were not able to see a programme, newsletters and letters to tenants/leaseholders, as well as the tenant/leaseholder responses.

3. Staff Issues

There is concern to see that the interests of the staff of CHA would be protected and that they would remain local staff providing local services. Particularly in this respect, the Executive were not clear as to whether:

- there would be redundancies as part of the amalgamation process;
- there would be a Managing Director/employee in control of Riverside in Carlisle;
- what the position would be in relation to continuity of pension and whether the trustees of the current pension fund of CHA would be happy that its employees were not employed by a body based in Carlisle, but by one in a different location and what the position would be regarding new employees of the new amalgamated body. It was also not clear whether there would be underfunding issues and what the proposed staff structure would look like.

4. Charitable Status and the Amalgamated Body

CHA is currently a charitable body and, in order for the VAT scheme to operate, which gives effect to the VAT sharing agreement with the Council, the Authority would need to be assured that the new amalgamated body would be charitable and have confirmation that the amalgamation would not occur without the Inland Revenue having given written confirmation to the acceptance of the new amalgamated body as a charitable body, having regard to the status of the beneficiaries of the new amalgamated body.

5. Area Offices and Local Representation

This is a particularly important point for the Council to secure the continuity of the local housing service. The following queries arose in this respect :

- what are the proposals of the office serving the Carlisle Board within Carlisle;
- whether the obligation in the Deed of Covenant would continue to be observed i.e. that there would continue to be three local offices in Carlisle, the locations of which were decided following discussions with the relevant tenants and resident groups? The response received by the Director of Legal and Democratic Services from Trowers and Hamlins in an e-mail appears to suggest that this may not always be the case;
- it has been confirmed in an e-mail from Trowers and Hamlins that, in relation to the head office of CHA having a substantial office in Carlisle, "there is no suggestion that this will change as a result of the amalgamation". It is appreciated that the Head Office of the new amalgamated association will be in Liverpool but, if services are to be offered to a division of the group in Carlisle, with some 6,000 properties, then a substantial office providing management services should remain. It was unclear whether or not this is in fact the position of Riverside.

6. Income from Property currently owned by CHA

Riverside has confirmed that income derived from the properties transferred from the Council to CHA would continue to be spent "primarily" in the Carlisle area and that the covenant from CHA in the Deed of Covenant with the Council would not be amended. However, the Council was concerned that there was not to be a more controlled accountability, for example with the provision of figures and reports being supplied to the Authority on a regular basis to indicate that this has been achieved. Such a detailed requirement would not have been necessary when the Deed of Covenant was originally drafted, as CHA was an independent subsidiary and had its own accounts.

7. Promises set out in the Consultation Document with Tenants

This is a particularly significant issue for the Council. You will know that, in the Consultation Document, one of the key benefits of the transfer put to tenants prior to the ballot was that Carlisle Housing Association would be a locally based organisation with a local focus, notwithstanding that it would be a subsidiary of the Riverside Group. It was stated that there would be direct involvement in the management of Carlisle Housing Association through tenants and leaseholder membership of the Board. This was a

**Independent evaluation of the
“Better Together” amalgamation
proposed by The Riverside
Group Ltd and whether the
tenant consultation process
undertaken by Carlisle Housing
Association concerning this was
appropriate and consistent with
best practice**

A. Summary

On behalf of Carlisle HA, the independent consultancy Campbell Tickell has reviewed the TRGL *Better Together* proposals, and specifically the tenant consultation in Carlisle that has been undertaken to date. Our key findings and comments are as follows:

- (1) Consultation with the tenants of CHA complied with all statutory requirements. The documentation was produced to a high standard, and written in plain language. Tenants were given adequate time to reply and comment. It would not have been proportionate or a good use of resources to conduct a full tenant ballot on the proposals, nor to appoint an Independent Tenant Advisor.
- (2) In practical terms, CHA tenants in particular, will see very little change beyond alterations to headed paper. They will be receiving the same services, from the same people, with oversight from a divisional board very like the current Board of CHA.
- (3) The consultation with tenants produced a limited response, perhaps reflecting the fact that very little would in practice change for tenants. The Boards of TRGL and CHA duly considered this response. A commitment had been given not to proceed with *Better Together* had the responses been negative, and we attach some weight to the existence of this undertaking.
- (4) *More generally Better Together* is a reasonable and considered response by TRGL to a very demanding regulatory and business environment.
- (5) The continued existence of the Riverside Carlisle Board would be protected by an amended transfer agreement between TRGL and the council. TRGL would not be able to subsume Carlisle Riverside completely into some monolithic TRGL in future, and we can see no reason why they would wish to do so in any case.
- (6) Most of TRGL's peer group of major complex housing groups have already been considering similar initiatives to *Better Together*, and some are already beyond the implementation stage. Without *Better Together* (or something like it) TRGL would begin to lose its 'edge' in relation to major competitors.
- (7) Considerable time, energy and thought has gone into *Better Together*, and a credible business case has been prepared, which sets out the thinking, and the savings and benefits that can be delivered. A headline figure of at least £2.75m savings over five years has been put forward, which has been validated, and which we consider to be reasonable and achievable. Indeed, other groups are claiming greater savings from their processes, which may be harder to deliver.
- (8) The *Better Together* proposals are lawful, comply with all regulatory and statutory guidance, and have the consent of the Tenant Services Authority, the new tenant-focused regulator for housing associations. As well as seeking legal advice on the proposals from a leading firm of housing lawyers, TRGL also had this advice reviewed by another leading firm of lawyers acting for CHA (and the other subsidiaries), to put the matter beyond doubt. The legal advice confirmed that TRGL had conducted adequate due diligence in considering the proposals, and that all matters of risk had been identified and dealt with.

Our overall conclusion is that *Better Together* is a reasonable and lawful proposal, which, when implemented, will tend to increase the efficiency of TRGL, and free up savings for reinvestment in front line services. The process of consultation with tenants for *Better Together* complies with (and in some areas exceeds) statutory and regulatory requirements.

B. Introduction

- B1 The independent housing consultancy Campbell Tickell has been asked to comment on proposals from The Riverside Group Limited (TRGL) in relation to the future place of Carlisle Housing Association (CHA) within TRGL. These are part of a wider initiative known as "**Better Together**". We have given some details of relevant assignments conducted by Campbell Tickell at Appendix 2. Our client for this assignment is CHA. More specifically we have been asked to consider whether the process of consultation with tenants on these proposals within Carlisle was legally sound and practically robust and complied with current good practice.

The proposal

- B2 The key feature of TRGL's *Better Together* proposals are that CHA should amalgamate (merge with) other housing associations within the Group as a part of a wider intra-group consolidation. This would see a reduction from nine to two charitable Registered Social Landlords, possibly going down to one at a later stage. CHA would thus, along with other group members, cease to be a corporate entity in its own right. It would become an operating division within TRGL, still trading as Riverside Carlisle under the guidance of what would in effect be a regional Board of TRGL.

This paper

- B3 We have structured the main part of this paper using a question and answer format, and have aimed to cover all those areas which may be of interest to CHA, and to its local authority partner.
- B4 This advice is not a full validation of the proposals, which are extensive, and supported by a detailed business plan which has already been validated by another housing consultancy. It does represent our independent opinion, and is based on our wide experience of working with housing association groups, including those with complex group structures.

The external context

- B5 As will be seen, the picture is complicated by the advent of the credit crunch, which has had material adverse affects on many major associations, and has – in short order - altered their plans, activities and approach to certain governance issues.
- A6 It is also the case that the regulatory and funding environment for housing associations in England has (from 1st December 2008) entered a new phase, with the advent of a new stand-alone regulator (the Tenant Service Authority - 'TSA'), and a new funding agency (the Homes and Communities Agency - 'HCA').

- A7 We attach a more detailed briefing at Appendix 1 to this paper, which describes the new operating environment for housing associations. Although these developments have partly come about in recent months, we consider that they are highly relevant to the position of TRGL and CHA. The key elements of the emerging new environment we see as being:
- continued financial pressures on associations, with more expensive borrowing, reduced access to credit, and other pressures to increase efficiency, reduce bureaucracy and focus expenditure on the front-line;
 - the emergence of a stronger consumer voice, nationally and locally, with increased expectations from tenants of good services and homes.
 - harder-edged regulation and inspection, with a twin emphasis on financial matters, and on the delivery of excellent services and accountability to tenants;
 - regulatory pressure to achieve and exceed the Decent Homes Standard while remaining within inflation-linked rent guidelines;
 - increased competition for government funding, with private and some public sector organisations competing alongside associations for grant and land deals; a government focus on larger development and regeneration projects;
 - The fact that staff and construction costs are in general rising faster than rents;
 - The need to attract and retain excellent staff with particular skills at a time of skill shortages, and competition for certain key categories of staff; and
 - recession-driven pressures on the tenants and communities served.
- B8 These have been powerful drivers for the *Better Together* proposals. In such tough times, a unified group can make more effective use of its combined organisational and financial capacity to survive and prosper.

Campbell Tickell

- B9 Campbell Tickell is an independent housing consultancy, working in England, Scotland and Wales. We have a client list of around 350 housing associations, local authorities, government agencies and charities. Much of our work is focused on strategic and governance issues. We employ around 10 people in our London office, and operate a national network of 100 associates.
- B10 This report has been written by one of our two Directors, James Tickell. James was a commissioner on the National Housing Federation's 2006 review of tenant involvement, and has more recently been involved in writing the new code of accountability and service delivery for the Federation. He has worked on governance and related assignments for many of the major housing groups in the United Kingdom

C. Questions and answers

In this Section, we consider the following questions.

- C1** *What exactly is proposed under 'Better Together'?*
- C2** *Why does TRGL wish to make these changes?*
- C3** *What effect will the proposals have on Carlisle HA's tenants?*
- C4** *What is to stop TRGL completely integrating CHA and removing all local identity and accountability?*
- C5** *Why has this come up now?*
- C6** *Why did TRGL have nine housing association group members to start with?*
- C7** *What is the business case for change? Is it convincing?*
- C8** *Will the proposals save money?*
- C9** *Were tenants consulted about the proposals?*
- C10** *Was the consultation material clear and accurate? Was the consultation adequate and proper?*
- C11** *Why was there no tenant ballot about the proposals?*
- C12** *Should TRGL have appointed an Independent Tenant Advisor in relation to this process, to advise tenants affected?*
- C13** *What effect will the proposals have on the influence or position of Carlisle City Council?*
- C14** *Are the proposals lawful and within the powers of TRGL?*
- C15** *Have the Boards of TRGL and CHA properly considered the issues and the consultation responses, and reached proper decisions?*
- C16** *Have the risks been considered and managed? Was due diligence thorough and properly considered?*
- C17** *Have TRGL and CHA followed a proper process?*
- C18** *What is the position of the regulator (The Tenant Services Authority)?*
- C19** *What is the wider government position?*
- C20** *Are other similar housing groups to TRGL taking similar steps?*
- C21** *What would happen if the proposals could not be implemented? Could there be advantages to CHA of remaining a separate entity within TRGL?*
- C22** *Could CHA leave TRGL and 'go it alone'?*

C1 What exactly is proposed under 'Better Together'?

- C1.1 The Riverside Group (TRGL) is proposing that all the nine charitable housing associations within TRGL should amalgamate (merge) into one charitable housing association. The consultation document for residents describes the *Better Together* proposal clearly. It notes that TRGL itself has recently become a charitable housing association, following consultation with residents. It goes on to say:

We intend to:

- *Work as one combined charitable housing association.*
- *Have one strategic Board for The Riverside Group.*
- *Set up two committees, made up of tenants and local board members, to decide on housing policies and the use of surpluses across the Group.*
- *Oversee local service delivery through local committees called Area or Divisional Boards*

We would like the changes to happen in April 2009. We propose that we amalgamate all of the following charitable housing associations into one combined association, which is likely to be called The Riverside Group. We expect English Churches Housing Group Limited (ECHG) to follow in due course and become part of the combined association.

- *The Riverside Group Limited*
- *Berrybridge Housing Limited*
- *Bowlee Park Housing Association Ltd*
- *Carlisle Housing Association Limited*
- *Community Seven Limited*
- *Lee Valley Housing Association Limited*
- *Riverside Housing Association Limited*
- *Riverside North East Limited*

C2 Why does TRGL wish to make these changes?

- C2.1 The title of the consultation with residents is "*Better Together: Creating a more efficient organisation*". Increased efficiency is the main plank of the proposals, as this implies. The initiative sets itself three key objectives (with relevant corporate targets) namely:

- *To reduce bureaucracy within the Group: mainly arising from a simpler governance structure which will require less administration in terms of intra group management arrangements and result in reduced regulation.*

- **To generate financial savings across the Group:** arising from the restructure of operations on the basis of the introduction of a consistent model of service delivery, starting in Merseyside and Cheshire, and also opportunities to review and streamline central services. In the longer term the consolidation of assets under the control of a single entity should provide us with the opportunity to improve our financing position, allowing us to reduce our overall financing requirements and drive better deals with our funders.
- **To invest in additional front line services:** with savings generated by the restructure of operations being re-invested in improved front-line services which deliver additional benefits to customers.

C2.2 The business plan also suggests a number of other more strategic objectives, partly reflecting the business environment we have described above. These are spelled out in an Impact Assessment, and include (in our words):

- creation of a more unified organisational culture across all of TRGL, focused on customers and service delivery; and
- using the financial strength of a single organisation to ensure that all parts of it are financially viable, and able to withstand any shocks that the external financial environment may bring.

C3 What effect will the proposals have on Carlisle HA's tenants?

C3.1 The consultation document states as follows:

We believe the changes we're planning will provide better homes and services – without inconvenience to you. On a day-to-day basis you will still:

- *deal with local staff and your local office*
- *pay rent, report repairs and use other services in the same way*
- *set up or join local tenant groups, which we will still fund*
- *have your local Board made up of people with an active interest in your area, including tenants.*

C3.2 In effect, and as this says, there is no obvious detriment to tenants, in terms of rents, tenancy arrangements or service delivery. We discuss elsewhere whether the loss of CHA's status as a separate organisation will or could affect tenant empowerment or local accountability.

C3.3 The material benefit to tenants will begin to accrue once the savings are realised, and are applied for the intended purposes. Other less tangible benefits should also, in due course, arise. In particular, there should be a freeing up of the local Riverside Carlisle Board to focus on service delivery and performance issues, without the administrative burden of running a separately registered housing association. This should see tenant concerns being addressed more effectively, and performance improvement being maintained.

C4 What is to stop TRGL completely integrating CHA and removing all local identity and accountability?

- C4.1 This question is an important one, and has come up frequently in similar circumstances in other groups. As a separate organisation, set up with legally binding transfer documentation, CHA's existence as a local brand under local control can be seen as guaranteed. Once it becomes an integral part of a larger organisation, the argument goes that it could be subsumed completely, and its Board disbanded.
- C4.2 The first point to make is that we can see no reason why TRGL should ever wish to subsume CHA in such a way. Local identity and accountability are – and will remain – a business advantage to TRGL, and to Riverside Carlisle.
- C4.3 However, the point has to be addressed more formally, to address the theoretical concern. The answer lies in the formal process by which Carlisle City Council must give its consent to the proposed amalgamation. In effect, the local authority's consent is a variation to the original transfer agreement, and the new arrangements can be (and have been) written in to the new documentation. Thus, should Riverside ever wish – for whatever reason – to disband its Carlisle Board, it would need to go back for a further local authority consent.
- C4.4 We note that the formation of two new TRGL committees is aimed at the enhancement of strategic decision making, bringing together TRGL and local board members to provide an overview of performance and strategic investment. This brings a new opportunity for Riverside Carlisle to influence the TRGL's agenda and plans.

C5 Why has this come up now?

- C5.1 As noted above, housing associations are under regulatory and business pressures that are unprecedented, and intense. The recent advent of the global financial crisis has accentuated this, but other factors have been known for some time. Successful organisations (such as TRGL) are not guaranteed future success, and need to take bold and radical steps to remain 'ahead of the game' while continuing to improve tenant services.
- C5.2 The kinds of objectives that *Better Together* has set are not 'desirable', but business critical in today's environment. This is not to suggest that *Better Together* is the only way of achieving them. But the Board of TRGL would have been failing in their duties had they not contemplated radical change to meet the objects set out above.

C6 Why did TRGL have nine housing association group members to start with?

- C6.1 One could well ask why TRGL allowed itself to become in the position where *Better Together* was needed in the first place?
- C6.2 Housing associations in England have been operating group structures for almost 20 years. The story begins in the 1980s, when charitable housing associations were advised by the Housing Corporation to set up non-charitable subsidiaries to conduct shared ownership activities.

- C6.3 During the 1990s, there was a great proliferation of group structures in England. The non-asset holding parent group was 'invented' during that period, primarily as a device to allow separate registered housing associations to band together in group structures without losing autonomy and identity. The pioneer of this model was the Anglia Group, which rapidly assembled a structure consisting of about ten separate housing associations, some transfer-based, others traditional. TRGL broadly followed this template, as CHA and other smaller organisations chose to become part of TRGL.
- C6.4 Some associations during this period also set up trading subsidiaries, for instance developing homes or commercial properties for sale, or providing other services. These were not registered housing associations – some were Industrial and Provident Societies, while others took registration with Companies House.
- C6.5 The proliferation was accelerated by the emergence of complex structures for funding, pensions development and tax avoidance. Joint ventures and special purpose vehicles were created within group structures. Funding vehicles were set up to hold certain assets and loans. Complex group structures ended up with 20 or more separate organisations of different types, creating a need for company secretarial activity on an almost industrial scale.
- C6.6 Along with other major housing association groups, TRGL has thus found itself with a complex structure, being formed by a series of steps best described as organic growth. Although suitable for its time, the structure became in need of review. As we describe below, other complex groups are also reviewing their structures, and in some cases have already move to a new phase and achieved the kind of intra-group consolidation that *Better Together* envisages.
- C6.7 Appendices 2 and 3 show the 'organigram' of TRGL before and after the *Better Together* changes. As will be seen, even after the changes, the Group retains quite a number of separate entities, precisely for the reasons set out at C6.5 above.
- C7 What is the business case for change? Is it convincing?**
- C7.1 We have reviewed the business case made for *Better Together*, which was the basis of Board considerations, and the submission made to the TSA for approval. In the time available, and given our brief, we have not validated this document in the full technical sense. We note that validation has already been carried out by Tribal, another housing consultancy. We consider that a second validation would not add value to the current circumstances.
- C7.2 Having read the document, we consider it to be full and detailed, and that it makes a convincing case for change. Putting ourselves in the position of Board members, we consider that (together with the other advice and documents) it provides a robust basis for a well-informed decision.

C8 Will the proposals save money?

C8.1 The TRGL consultation with residents states as follows:

We will save money and spend less time on:

- *legal agreements across The Riverside Group*
- *audit fees, and fees to statutory organisations*
- *annual returns to statutory agencies*
- *internal management and administration.*

C8.2 Although no exact figure is given in the consultation, it is stated elsewhere that:

We think this will bring considerable savings of which will allow us to invest more money in our homes and services.

C8.3 In the more detailed business case presented to the Boards, a figure of some £2.75 million is given as the net saving over 5 years, taking into account the various implementation costs. This figure has been independently validated by a major housing consultancy firm. We assume that further information will be provided concerning how the savings will be spent in due course.

C8.4 From experience elsewhere, we consider that the figure of £2.75m is realistic and achievable, and indeed we have seen other associations claiming higher figures for their own intra-group savings. We note that some savings may need to be applied to higher financing costs in future, and this is a problem for all housing associations in the current financial climate.

C9 Were tenants consulted about the proposals?

C9.1 A consultation process with all 50,000 tenants of subsidiaries within TRGL was carried out. We have been sent the consultation material used, and the results of the consultation. We note that this material was considered and approved by the Board of CHA. The process included:

- local Directors wrote to tenants and leaseholders to tell them about the proposals
- all tenants and leaseholders were sent a booklet explaining what the new Riverside Group would be like
- all tenants and leaseholders were been invited to contact either their local office, or to ring a special phone line, or asked to write or e-mail to "Better Together" if they have any queries.

C9.2 Our comment – which we expand on below - is that the consultation is at the good end of 'industry standard' in terms of documents we have seen (or indeed worked on) in the context of other housing associations in similar instances. The setting up of a special phone line, while not unique, was certainly good practice. The existence of a follow-up telephone survey is further evidence of an approach going beyond the required minimum.

C10 Was the consultation material clear and accurate? Was the consultation adequate and proper?

C10.1 In our opinion, the consultation material is well produced, and written in plain language and accessible to tenants. It covers the issues adequately, and makes it clear how tenants should seek further information about the proposals. Given that the actual effect on tenants will not be great, we consider that a more active consultation (road-shows, high profile local meetings and so on) would not have been appropriate. The consultation undertaken was entirely adequate in the circumstances, and did include three local meetings in Carlisle as well as the written consultation.

C10.2 Across the Group as a whole, 1078 tenants responded to the consultation and, of these, 417 had expressed comments. Many of the comments received related to other matters, and these were responded to by local staff. Tenants had been asked whether they would like additional information and approximately 200 requested this.

C10.3 Once the additional information had been sent out each recipient was telephoned to ascertain that they had received the information, whether they had understood it, if it had dealt with their queries and whether they still had concerns.

C10.4 Of the 78 tenants who were prepared to take part in a follow-up survey, 75% expressed support for the proposals, but despite this level of support, 38 individuals still had concerns about the service implications of the proposals. We note that this follow-up survey went beyond minimum good practice, and represented a real effort by TRGL to ascertain views of tenants and leaseholders.

C10.5 Despite press interest and publicity in Carlisle, of the 6,843 CHA tenants, only 105 (1.5%) responded to the consultation and, of those, 57 respondents agreed with the proposals and 23 disagreed with them. A number of those tenants who submitted comments expressed concerns about maintaining local service delivery.

C11 Why was there no tenant ballot about the proposals?

C11.1 It has been suggested that, since the original transfer was subject to a ballot, this process should similarly have been put to a tenant vote.

C11.2 Our research has not been able to find an example in England where a group restructure has been subject to a full ballot. TRGL's legal advisors have similarly been unable to locate such a case, although it is possible that there may be an exception which has not come to light. There is no regulation or statute requiring such a ballot, nor a contractual obligation to do so under normal transfer documentation.

C13 What effect will the proposals have on the influence or position of Carlisle City Council?

- C13.1 So far as we can see, in the short term, the proposals create neither detriment nor great advantage to Carlisle CC. The original transfer promises were delivered in full some time ago. The transferred stock continues to be managed within the same housing group originally chosen for transfer, no doubt for good reasons. The contractual framework, as set out by the transfer agreement, remains the same, subject only to agreed variations. In terms of influence, the Council will retain the same number of seats on the Riverside Carlisle Board as it currently has on the Board of CHA.
- C13.2 Through its members on the Riverside Carlisle Board, the Council will have the indirect opportunity to influence TRGL's overall strategy, through the new strategic group committees referred to above.
- C13.3 Longer term, it is reasonable to suppose that the tenants of CHA will share in the benefits arising from *Better Together*, as savings realised are reinvested to front line services. We have also pointed out that the Board of Riverside Carlisle will be freed up from regulatory and administrative burdens, and will thus be able to focus better on service delivery and performance issues.
- C13.4 From the point of view of the Council, there are advantages to a close working relationship with a larger developing group such as TRGL. Should development opportunities arise in Carlisle (for instance in relation to it being a 'growth point'), TRGL would be better placed to respond than many other associations active in the area, and would bring the combined resources and capacity of the group to the table.

C14 Are the proposals lawful and within the powers of TRGL?

- C14.1 Board members were right to seek to assure themselves that they had discharged their responsibilities as Directors as they considered this important constitutional change. We consider that the close use of two firms of solicitors throughout the process (Trowers & Hamlins to advise TRGL, and Winckworth Sherwood to advise CHA) has been members' principal means of obtaining this reassurance. Both firms are well known and well respected in the sector and we have worked with them on many occasions and found their work to be of the highest quality.
- C14.2 With the important proviso that we are not in a position to offer legal advice, we can confirm that the briefs put to each firm appear to us to cover the necessary issues and the advice which was given supports the actions undertaken and proposed. The advice follows the lines of advice we have seen being given by various firms to other amalgamating groups.
- C14.3 With the proviso that we are not qualified to give legal advice, we concur with the view that there is no legal obstacle that would stand in the way of Directors agreeing to the proposals.

C15 Have the Boards of TRGL and CHA properly considered the issues and the consultation responses, and reached proper decisions?

C15.1 The Boards of the Group considered the consultation in two phases. Prior to consultation, in June 2008, both Boards considered the methodology and approved it to be used for consultation on amalgamation and the operating structure. The report set out a timetable for the process and the documentation to be employed. In our opinion the material sets out clearly the issues on which tenants of Carlisle Housing Association were being consulted and the particular areas which might be of concern to tenants of the association. Consultation was being offered individually and collectively at a local level and was in line with practice in the sector as we have seen it on similar proposals elsewhere.

C15.2 Following the consultation both Boards received a full report in October 2008 on the outcome of the consultation, the concerns raised and the views of the Independent Legal Advisor on the issues which had been raised. The report to CHA made it clear that, although the response rate from tenants to the written consultation was low, it was typical in nature and scale to that achieved across the whole Group. However at sparsely attended meetings in two areas specific concerns were raised in relation to CHA. It was evident, however that there was no great groundswell in opposition to the proposed changes.

C15.3 The minutes of that Board make it clear that the Board gave proper consideration to the concern which had been voiced. The Board of CHA resolved to approve the *Better Together* business plan and agreed to proceed with the amalgamation subject to certain safeguards being agreed with Carlisle City Council and TRGL. The issues which had been raised by shareholders with the Board were:-

- the ability to represent the interests of local tenants;
- delegated powers over key issues such as budgets, investment and staffing matters
- a mechanism to enable Councillors to represent constituents' concerns with local housing managers; and
- the need for a continued significant local housing management presence in Carlisle.

C15.4 When the Group Board met to consider the outcome of the consultation as a whole, it gave particular consideration to the responses in two subsidiaries, one of which was CHA. It acknowledged the concerns which had been raised and agreed that, although the consultation document had addressed those issues and set out the Group's commitment to maintain those functions at a local level, it was imperative that further reassurances were given to tenants and leaseholders about the local nature of ongoing service delivery. Further, through local communication, CHA needed to reiterate a commitment to delivering the promises made prior to the stock transfer.

C15.5 We attach considerable importance to a particular commitment made by TRGL, as follows:

If the consultation says we should not proceed then the new structure will not happen and we carry on as we are now (except for some staffing changes in Merseyside)

C15.6 This indicates to us that the consultation was taken seriously, and that there was a real readiness to abandon the proposals had the respondents so required.

C15.7 In the light of the above, we consider that the Board members of TRGL and the Board members of Carlisle Housing Association can reasonably, and on the basis of the information they have received, proceed with making a decision about implementing the new governance arrangements having complied with their duties in regard to consultation with tenants and stakeholders.

C15.8 We are satisfied that the Group has addressed directly the areas of concern and that it intends to clarify and develop its response to those concerns about the need to maintain a strong local dimension for tenants in Carlisle.

C16 Have the risks been considered and managed? Was due diligence thorough and properly considered?

C16.1 We have seen advice received from TRGL's legal advisors, Trowers and Hamlin, in connection with the following critical aspects of the proposed amalgamation.

- procedure and consents/approvals required dated 22 February 2008;
- review of transfer agreement obligations dated 1 April 2008;
- review of loan agreements dated 20 August 2008; and
- pensions issues advice dated 30 July 2008.

C16.2 We have also seen the comments made by Messrs Winckworth Sherwood (acting for CHA and the other subsidiaries) in effect validating the advice received from Trowers by TRGL. Both firms concur that the correct issues have been addressed and the reports disclosed no matters of concern. They noted also that the audit management letters produced by KPMG for each of the charitable associations within TRGL did not identify any matters of concern in relation to *Better Together*.

C16.3 We also note that the appendices to the *Better Together* business case included two revised risk registers, which gave a full account of the risks arising from the proposals, their possible impact, and the steps taken to manage or mitigate the risks.

C16.4 As lay advisors on governance matters, we consider that the Boards had adequate and robust professional advice on which to base their decisions. We have seen minutes which record the discussions of the Boards on these matters.

C17 Have TRG and CHA followed a proper process?

C17.1 Overall we are content that the process followed by TRGL and CHA was appropriate, lawful and proportionate to the circumstances.

C18 What is the position of the regulator (The Tenant Services Authority)?

C18.1 The new regulator of housing associations has to approve any and all applications for group structure consolidations. We have seen a letter from the TSA to TRGL which confirms that the resident consultation arrangements and the approach taken meet the Tenant Services Authority's requirements.

- **Places for People:** Has one main RSL managing 47,000 homes from Preston. Has a range of 'brands' within that organisation, operating as separate trading divisions;
- **Regenda, Yorkshire Housing Group, Arcadia, First Wessex and other more local Groups:** Collapsing complex Groups into one RSL.
- **Sanctuary:** Reducing and rationalising the number of RSLs within the Group as opportunities arise over a period of time – should end up with one RSL within 3-5 years;
- **Walsall Housing Group:** collapsing 5 separate local RSLs into one unitary RSL.

C20.6 There are of course other successful Groups which have not moved in this direction (Circle Anglia and Network to name two), but the trend is now pronounced, and we predict that few larger 'loose fit' Groups will remain in existence within five years. The advantage of a 'loose group' of course, is that it remains more attractive to new joiners who do not wish to lose their identity. Our (perhaps cynical) view is that currently loose groups will tend to consolidate once the need for efficiency outweighs the other advantages.

C20.7 In some cases, the credit crunch factors referred to above are preventing the implementation of consolidation at this time. Banks are seeking to re-price loans as the price of their consent to restructuring, to an extent which wipes out any efficiency gains, and indeed creates massive additional costs. We can only assume that reason will return at some stage to the lending market, and that lenders will not wish to be seen to stand for long in the way of changes aimed at improving services and accountability.

C21 What would happen if the proposals could not be implemented? Could there be advantages to CHA of remaining a separate entity within TRGL?

C21.1 If for some reason, it were not possible for CHA to amalgamate along with the other charitable subsidiaries of TRGL, it would be constitutionally possible for CHA to remain as a stand alone organisation within TRGL.

C21.2 We can see no obvious advantages to CHA or its tenants of remaining a separate entity within TRGL, in what would be an anomalous position as compared to the other existing subsidiaries, which could bring a risk of isolation and less strategic influence within the Group. Some administrative savings would not be realised, and the wider advantages of *Better Together* would – in part – not be achieved.

C22 Could CHA leave TRGL and 'go it alone'?

C22.1 This theoretical question needs to be answered for the sake of completeness. Although there are one or two examples of housing associations choosing to leave groups, we do not believe that it is a realistic prospect for a range of reasons:

- CHA is not of a size that it would have a long term sustainable future as a stand-alone organisation; it would thus need to leave TRGL and join another group;

- It is unlikely that another group partner would come forward, particularly under present circumstances, but in any case;
- The disruption and expense would be very considerable, and the costs would ultimately be borne by the tenants of CHA and/or TRGL;
- There would be a need for a financial reconciliation as between TRGL and CHA, which would probably require a balancing payment in favour of TRGL;
- In today's financial climate, the necessary refinancing of CHA's loan(s) would add very significant costs to the business plan;
- We do not believe that such an action could credibly be shown to be in the tenant (or indeed local authority) interest; and
- We do not believe that regulatory consent would be forthcoming under foreseeable circumstances.

C22.2 It may also be worth pointing out that a smaller stand alone organisation such as CHA would be unlikely ever to be in the position to develop new homes on any scale to meet local needs. As a unified part of TRGL, it would be in a better position to take advantage of local opportunities, for instance in relation to the 'growth point' agenda.

*James Tickell**January 2009*

Appendix 1: The business environment for housing associations

1. The combination of the credit crunch with the introduction of a new regulatory and funding framework have created a time of uncertainty and change for many housing associations. Some associations are facing acute liquidity problems as a direct result of the falling property market and global financial turmoil. Hopefully, these more acute problems will prove to be short-term, and are being dealt with by the new regulator. Longer term, the business environment for all associations has become less benign than it has been for many years.

The external environment

2. In terms of the external environment, the longer term picture is likely to encompass:
 - continued financial pressures on associations, with more expensive borrowing, and reduced access to credit;
 - recession-driven pressures on the tenants and communities served;
 - harder-edged regulation, with a twin emphasis on financial matters, and on the delivery of excellent services and accountability to tenants;
 - increased competition for government funding, with private and some public sector organisations competing alongside associations grant and land deals;
 - a government focus on larger development and regeneration projects;
 - the emergence of new development models which depend less on cross-subsidy from outright sales and shared ownership; and
 - the emergence of a stronger consumer voice, nationally and locally, with increased expectations from tenants of good services and homes.

Sector response

3. Once the immediate turbulence of the credit crunch has subsided, the sector consolidation that was already under way will resume, with more associations choosing to merge or create group structures. Mergers forced by the weakness of one partner will not be uncommon. Larger associations will increasingly tend to dominate the sector, some nationally, and others more regional or city based. Groups such as TRGL should be well placed to deliver against the new agenda.
4. Smaller and more specialist associations in England will not be doomed, but may need to work hard to remain sustainable, especially those with geographical spread. The distinction between transfer and traditional associations will tend to blur over time. So too may the distinction between public, private and not-for-profit sectors, which will work together on in a range of joint ventures and partnerships. ALMOs (Arm's Length Management Organisations) will evolve, achieving greater independence, and will play an increasing role.
5. As a small locally based housing association, with a strong tenant focus, CHA would find it hard to remain sustainable as a stand-alone association, and the decision that it should be part of TRGL seems to have been a wise one.

6. We start with the credit crunch. The combination of the planned changes to regulation alongside the impact upon the housing and economic markets has resulted in a period of unprecedented change for the social housing sector.

The 'Ujima effect'

7. Financially, three significant shocks have hit the sector. The first was the failure of the Ujima HA, which saw the first use of the Housing Corporation's powers to call a moratorium since 2001. Although the sector's 'no loss on default' record remains intact, its 'no default' reputation was severely damaged. Whilst later events have somewhat masked the Ujima effect, lenders' credit committees had their awareness of housing sector risk raised well before the main impact of the credit crunch. Even without subsequent developments, it is likely that the collapse of Ujima would have concentrated the regulator's gaze on governance and funders' gaze on land banking, internal controls and associations' differential risk profiles.

The housing market

8. Secondly, the collapse in the housing market has been both abrupt and severe. Organisations with a business model that relied on cross-subsidy from shared ownership, market sale and occasional void sales are now vulnerable, with some having hundreds of unsold units and only limited prospects of attracting buyers. This has in turn led to discussions about re-designating such properties from sale or shared ownership to traditional rented, or to a 'rent now, buy later' model and requests to the HCA for retrospective increases in grant.
9. Until grant rates adjust to the new realities and the bottom of the market is reached, viable new development schemes will be scarce as the cross subsidy available from shared ownership and outright sale has dried up. We are beginning to see the impact of the housing market collapse on Market Value – Tenanted (MV-T) valuations. We anticipate that many hitherto ambitious developing associations will face significant impairment charges with the closure of their 08/09 accounts and that we have yet to see the full negative impact on developers and contractors. The last three housing price collapses have each taken between 11 and 15 years to recover their inflation adjusted peak.

The credit crunch

10. And thirdly, the credit crunch has hit the lending environment with a vengeance. The end of around 15 years of loose global credit markets has seen a cross-country, cross-sector re-pricing of risk, together with severe liquidity shortfalls occasioned by a drying up of wholesale financial markets, the collapse of several major banks, and an unprecedented widening of the margins between base rates, LIBOR and the costs of available funding.
11. Some associations which have sought to manage interest rate risks with swap instruments have also faced unexpected calls to provide increased security or cash collateral deposits, in some cases in the tens of £ millions. Risk mitigation measures have thus – ironically – proved to be a bigger risk than the original concern.

12. These are extraordinary times with few comparables since the 1930s. Whilst we might hope that liquidity will return to the market in two to three years' time (after the banks have rebuilt their balance sheets in the face of massive roll-overs of wholesale funding), we are unlikely to see a return to such cheap credit until a generation has passed and another 15 years or so of benign economic growth have been experienced.

The cat and mouse repricing game

13. The most immediate effects of the credit crunch on associations has been a significant increase in the cost of new funds (rising from c.25-50 basis points to 150-300 basis points) - see for instance the recent Circle Anglia and Places for People bond issues. Other significant impacts include each and every funder using any breach of covenants (no matter how minor), or request for increased funding, to reprice loans that have become loss-making for them with the rise in the cost of wholesale funds.
14. This factor has effectively frozen much merger and group structure activity, with associations unable to progress such ventures due to the repricing costs. Since October 2008, we have seen few if any examples of funders not taking any advantage of covenant breaches to reprice, and the situation is not improving. We foresee no let-up in this trend until such time as most outstanding loans to the sector have been repriced to reflect the new realities.

'Going concern'

15. In the face of the credit crunch, there has also been a flurry of new guidance to Board members on issues of 'going concern'. In our own work, we have seen a hardening of auditors' attitudes to these issues. We anticipate new pressures on Boards in agreeing 2008/09 accounts. Auditors and members will require additional comfort on:
- cash flow forecasts for the following 12 months;
 - liquidity risks and the clear availability of sufficient funding;
 - covenant compliance;
 - valuation of assets and impairment; and
 - exposure to housing markets.

Other factors

16. In addition to the above, there are other trends and issues worth mentioning, which are contributing to the challenges faced by social housing providers. Each is different and unconnected, and each contributes its own set of issues:
- There has been acute pressure over several years on the funding of supported housing through the Supporting People scheme, and these challenges are increasing with the move to Local Area Agreements and the removal of the 'ring-fence' that has separated Supporting People funding from other funding pots and demands;
 - Anti-social behaviour and increasing social division appear to have grown steadily over the past number of years, to the point where ASB is routinely

identified as the biggest issue that tenants and residents want to see tackled by social landlords; and

- Rising expectations among tenants for better choice, services and homes, mirroring the growth of 'consumer culture' in society over recent times. This has contributed to and can be expected to fuel further the TSA's interest in and commitment to ensuring consistent high standards of services to tenants.

Sector consolidation

17. With this range of factors and challenges, it can safely be predicted that a number of associations over the next few years will succumb to a combination of the pressures, thus leading to their takeover by stronger organisations, either into group structures or into merged organisations. The emerging future shape of the housing sector as a whole is one where (a) large and (b) specialist associations will find it easier to carve out a niche for themselves.
18. The middle ground is likely to prove uncomfortable, so more of the same from medium sized associations will no longer suffice. To be assured of a future, such associations need to demonstrate and assert their leadership, to ensure that have strong partnerships in place, to build strategic presence in the localities where they operate, and to be recognised as a valued partner in joint work and consortia arrangements.
19. This description of the strategic and operating environment for the social housing sector in England might appear to present a bleak future. Boards need to be realistic about the challenges ahead and ensure that decisions about their association's future are taken in recognition of these wider concerns and challenges. In the longer term, banks will start lending again, and the nation will need social housing and other new homes.

The new framework

20. The Government decision to separate the investment and regulatory role of the Housing Corporation was taken following the publication of the Cave report in 2007. The new Homes and Communities Agency has brought together housing and regeneration delivery functions, from the Corporation, English Partnerships and the Department for Communities & Local Government. The Tenant Services Authority (TSA) is the new independent regulator for social housing providers. Both organisations were brought into being on 1st December 2008 by a Housing and Regeneration Act.

The new regulatory regime

21. The TSA has yet to announce the detail of its new regulatory regime, which will be developed following a 'National Conversation' consultation exercise, consulting with social housing tenants nationally, and with landlords and providers. The new regulatory regime is to be introduced in December 2009, and in the meantime, the Housing Corporation's guidance continues to apply. At this stage, it is clear that there will be increased focused on self and resident-led regulation.
22. The Chief Executive of the TSA has set out four key challenges that will be critical to the success of the new regulatory framework:

- responding effectively to the changing economic environment and increasingly challenging operating conditions facing housing associations;
 - ensuring excellent levels of service to every tenant;
 - revolutionising the sector's approach to tenant engagement and empowerment - placing it at the core of landlords' businesses; and
 - ensuring that the new regulatory regime creates an opportunity for all stakeholders to be engaged, including landlords, tenants and local authorities.
23. At the same time, he has made clear that the TSA recognises that the quality of housing providers' governance is fundamental. When housing associations have got into difficulty in the past, weaknesses in governance have been recognised as being at the heart of the problems, whether these problems have manifested themselves in financial, operational or other difficulties.
24. Overall, it is clear that the quality of services to residents will be placed at the heart of all regulatory activity. This is being reinforced by the Audit Commission's move to unannounced 'short notice' inspections. The bar on what constitutes a 'satisfactory' one star service (and indeed two and three star service) is being raised in line with residents' expectations for increased choice and better services and homes. Regulation will take a tougher market edge, higher standards and sweeping powers enabling the regulator to take control when things go wrong.

Grant and development in the new world

25. The pressure on associations to continue to respond to the efficiency agenda will also clearly be a strong feature of the new regime. Since the publication of the Gershon Review in 2004 (the *Independent Review of Public Sector Efficiency*), the drive for efficiency has manifested itself in a number of ways. In particular, this has included the rationalisation of developing associations, with a significant reduction in the number of associations receiving Social Housing Grant, alongside the opening up of such grant to non-RSLs.
26. This competition has been one of a number of ways in which the new approaches to funding and regulation are now seen to show no 'favours' to housing associations any more than to other providers, whether those are local authorities, ALMOs, or private sector providers. Even before the credit crunch, many strong developing associations were finding their financial capacity severely stretched.
27. Under the changes to the Social Housing Grant funding regime, the Housing Corporation introduced the concept of 'investment partnering' in 2004. This saw a reduction in the number of major developing associations from some 300 down to around 70. These were subsequently joined by 30+ private developers and ALMOs. Qualification for investment partnering status has focused on track record in delivering and ability to deliver a substantial development programme on time and in budget. In response to this, in many cases housing associations chose to band together in consortia to achieve the necessary size of programme, and some of these consortia are themselves banding together.
28. Because many associations have traditionally been led by their development aspirations, this change had a major impact on the morale and sustainability of non-developing associations. We have therefore seen a drive to create larger groupings with more financial capacity to stay in the 'development game'.

29. A further important factor is that some developing associations, despite their success at obtaining grant, will in the next few years begin to run out of financial capacity, and will therefore need to reduce the size of their development programmes. Many have already curtailed their programmes in response to credit crunch factors. The introduction last year by the Corporation of a requirement for developing associations to submit 30 year financial models is highlighting those associations most at risk in this way.
30. Such associations are especially keen to acquire (take over) other associations with 'spare' financial capacity (preferably in one of the Government's designated 'strategic growth areas'). The recent merger of Dominion and A2 Housing Groups was a good example of a transaction driven by the need to combine a powerful development engine with spare capacity. Transfer associations approaching or recently passing peak debt are often attractive partners for balance-sheet-constrained traditional associations, should they wish to give up their independence.
31. The establishment of the HCA as the new body responsible for funding housing and regeneration will also bring new challenges. For instance, the HCA's focus on having a 'single conversation' with each local authority about all housing and regeneration funding in their area (there have in the past been anything up to 12 such 'conversations' taking place at local level over different funding pots) is plainly welcome in promoting greater coherence and 'joined-up working'.
32. On the other hand, the influence of the former English Partnerships culture and approach is important within the HCA, and brings in turn a 'big deal' mentality and the risk of fewer opportunities for medium sized players. The real agenda is of course about opportunity and capacity to deliver in terms of new homes.

Appendix 2: Campbell Tickell

Details of successfully completed similar commissions

- **Affinity Sutton** – Review of effectiveness of a complex group structure for this large and complex national organisation, and production of a report to the Board evaluating options and making clear recommendations for action
- **Amicus Horizon:** Review of governance and group structure arrangements in this large and troubled housing group, currently under Housing Corporation supervision. Production, presentation and advice on implementation for a solution and way forward out of supervision.
- **Charity Commission** – Writing flagship governance guidance for trustees of all charities in England
- **First Wessex Housing** – Governance review and skills audit of main Board, subsidiary Boards and committees, following conduct of an inquiry (also by CT) into certain problems, where adverse findings were made concerning the quality of governance and decision-making
- **Harvest Housing Group:** Review of governance and functioning of group structure in this major Manchester-based organisation
- **National Consumer Council** – Co-authoring with the CE of NCC a published report into the nature and limitations of tenant empowerment and participation in English housing associations.
- **National Council for Voluntary Organisations** – Writing a Code of Governance for the voluntary sector in England
- **National Housing Federation** – writing a Code of Service Delivery and Accountability for English housing associations. Serving as a Commissioner in the Inquiry into Tenant Participation.
- **Network Housing Group** – Preparation and analysis of Group-wide governance survey; paper on best practice in the field of governance
- **Southern Housing Group, First Wessex Group, Thames Valley Housing:** Reviews of governance structures and effectiveness of group structure arrangements
- **Walsall Housing Group** – Independent review and risk evaluation of proposals for the consolidation of a complex group structure in this major Midlands based transfer organisation
- **West Mercia Housing and Whitefriars** – Assistance, advice and facilitation on the formation of a new group structure for these large and complex organisations, based in the English Midlands.
- **Cambridge Housing Society, Local Space, Orwell Housing, Richmond Housing Partnership, Swan Housing, Guinness Housing Partnership, St Mungo's Community Housing, Southern Housing Group and others;** various governance reviews, board appraisals, awaydays and related assignments

James Tickell

Director of Campbell Tickell. James Tickell has a national profile, and national networks. He has been a consultant and Director of Campbell Tickell for some 5 years. During this period, he has carried out a wide range of assignments, focusing on governance, mergers and groups, performance improvement, communications and strategy. This included acting as Interim Chief Executive of Shaftesbury Housing Group for 14 months.

James is a national expert on not-for-profit governance. He wrote: the Charity Commission's flagship guidance for trustees, the NCVO Code of Governance, and the original NHF Governance Code. Since becoming a consultant, he has conducted numerous governance reviews, appraisals and awaydays, including for some very large group structure organisations.

Among other recent projects James has undertaken are:

- Writing the latest edition of 'Learning from Problem Cases' for the Corporation, which highlights the governance issues underlying problems in housing associations, and provides a governance checklist for Boards ;
- Undertaking a statutory inquiry on behalf of the Housing Corporation and other confidential inquiries for housing associations

Previously, James was the Deputy Chief Executive of the National Housing Federation, a position he held for 10 years. He was responsible at various times for a wide range of strategies and activities, including:

- The Federation's Governance Code and work with Board members;
- Membership services and liaison with new transfer organisations;
- Company secretary functions, including a review of the Federation's own governance;
- The Federation's Regulation Panel, and associated regulatory issues and projects.

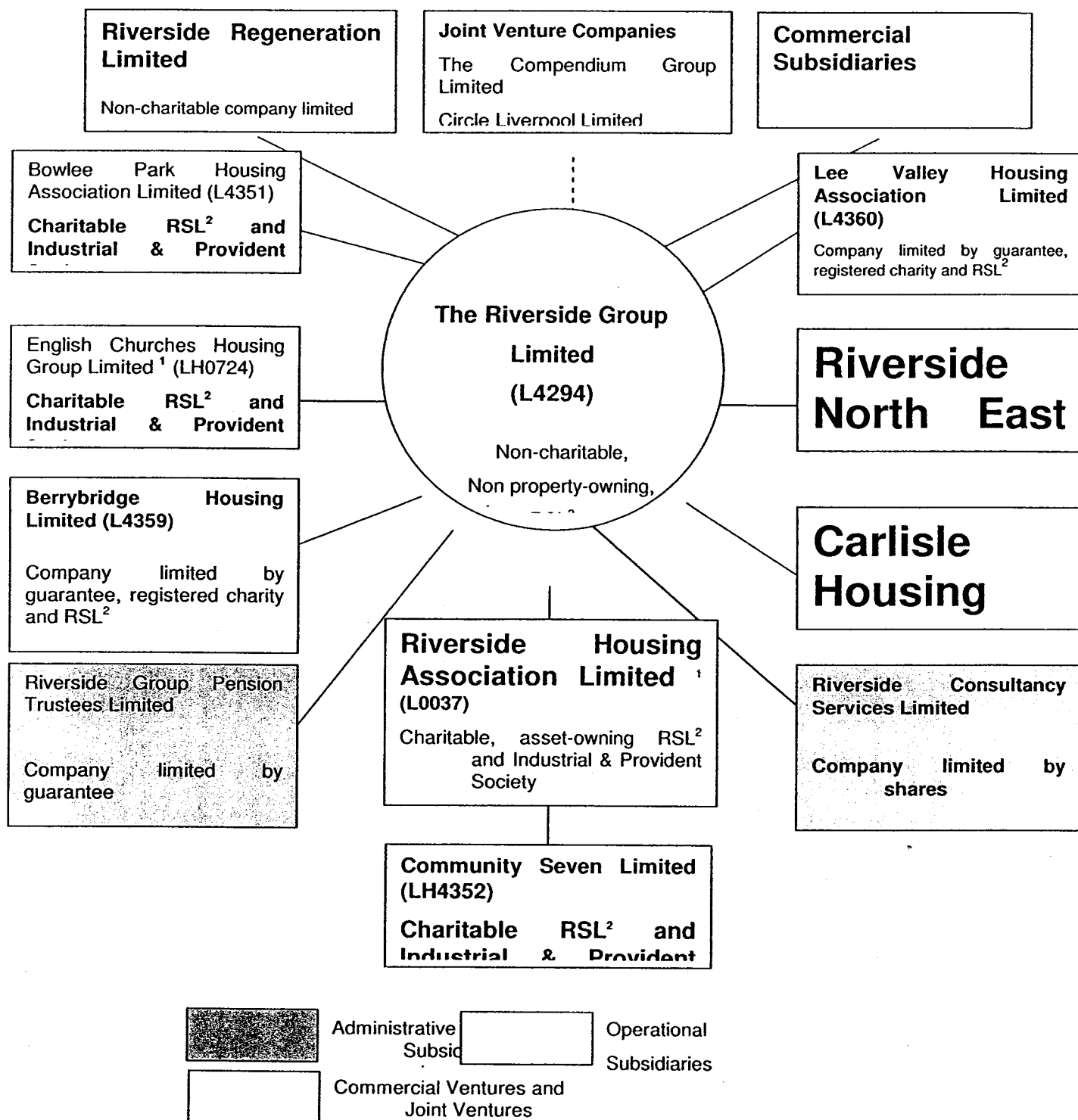
Before joining the Federation, he was the Registrar of the Housing Corporation, a senior post in the department responsible for the regulation and supervision of associations, and for policy on group structures. There he dealt with a range of supervision cases, consents, and registration of LSVTs.

James has served as a Board member of five housing associations, including as a Housing Corporation appointee to the Board of an organisation in supervision.

Appendix 3: Key documentation reviewed

#	Title
1	'Better Together', The Riverside Group Business Plan September 2008
2	Copy of letter from TRGL re. conversion to charity
3	Report to TRGL Board setting out outcome of charitable conversion consultation
4	Paper to and Minutes of CHA meeting considering consultation material (June 08)
5	Copy of amalgamation consultation material (issued by CHA) <ul style="list-style-type: none"> • Letters (tenant and leaseholder) • Booklet • Response slip
6	Copy of KWEST follow up survey (survey of those requesting further information following receipt)
7	Copy of report to and related minute of Board of CHA (Oct 08) summarising consultation outcome
8	Copy of newsletter to CHA resident explaining outcome of consultation
9	Copy of letter from TSA confirming consultation process is in line with regulatory expectations.
10	Copy of letter/email from Trowers and Hamlins (Solicitors) on consultation matters
11	Copy of report of Independent Legal Advisor (to all subsidiary boards)

TRGL Group Structure (July 2008)

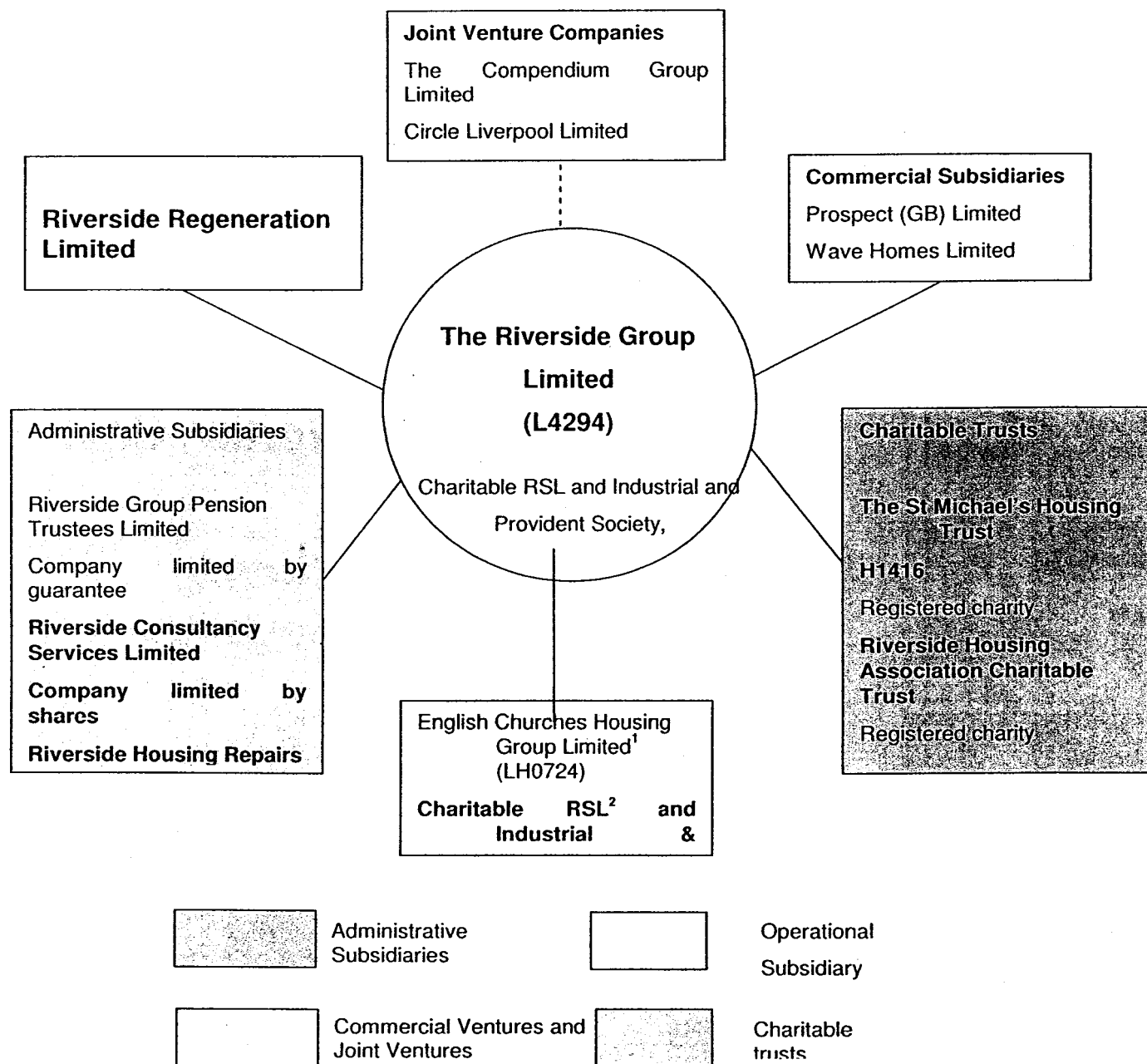


Solid line denotes subsidiary

Dotted line denotes associated organisation

1. For subsidiaries of this organisation, see separate structure chart
2. RSL refers to Registered Social Landlord

TRGL Group Structure (post amalgamation)



Solid line denotes subsidiary

Dotted line denotes associated organisation

1. ECHG subsidiary structure remains as current

2. RSL refers to Registered Social Landlord