

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

19 JANUARY 2017

REPORT OF SENIOR MANAGEMENT TEAM

CABINET DECISION

Environment and Housing – Lead Cabinet Member – Councillor M Smith

CONSOLIDATION OF THE THIRTEEN HOUSING GROUP

1. Summary

The Thirteen Group was created in April 2014 following the merger of two locally based housing groups (Vela and Fabrick). Within the existing Thirteen Group structure there are four subsidiary registered provider landlords including Tristar Homes Limited.

Since the establishment of Vela and more recently Thirteen £50m has been investment into the borough through property improvement/investment and the delivery of much need new affordable homes. However over recent years the operating environment for all Registered Housing Providers has changed significantly, in order to deliver savings and greater efficiencies Thirteen now propose to consolidate the current group structure to create one landlord. The new landlord will retain the name Thirteen and would own and manage the Groups services and 34,000 properties. In order to progress with group consolidation Thirteen are seeking the Councils consent to change Tristar Homes Limited (THL) Articles of Association this will then enable THL to transfer its engagements (assets and liabilities) to Thirteen and for THL to then be dissolved.

2. Recommendations

1. Cabinet consent to the necessary changes to the THL Articles of Association which would enable the Thirteen Group consolidation to take place (as detailed in paragraph 5 of this report).
2. Authorise the Chief Executive to nominate a representative to exercise the Council's vote at any General Meeting of THL and for this representative to vote in favour of:
 - (i) THL converting to become a community benefit society.
 - (ii) THL transferring its engagements (assets and liabilities) to the Thirteen Group.
3. Cabinet's report and decisions be submitted to Council, in order to update all Members regarding the proposals for Tristar Homes Limited and the arrangements for giving the Council's consent to the restructuring plans.

3. Reasons for the Recommendation(s)/Decision(s)

To enable the Thirteen Group to consolidate the existing landlord group structure to form a single Registered Provider. The proposed changes in structure are intended to streamline

operations and enable the more efficient use of resources to support existing services to tenants, ongoing property investment programmes and enable the ongoing development of new housing within the local area which will address local needs.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

AGENDA ITEM

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SUMMARY

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Since the establishment of Vela and more recently Thirteen £50m has been investment into the borough through property improvement/investment and the delivery of much need new affordable homes. However over recent years the operating environment for all Registered Housing Providers has changed significantly, in order to deliver savings and greater efficiencies Thirteen now propose to consolidate the current group structure to create one landlord. The new landlord will retain the name Thirteen and would own and manage the Groups services and 34,000 properties. In order to progress with group consolidation Thirteen are seeking the Councils consent to change Tristar Homes Limited (THL) Articles of Association this will then enable THL to transfer it's engagements (assets and liabilities) to Thirteen and for THL to then be dissolved.

RECOMMENDATIONS

1. Cabinet consent to the necessary changes to the Tristar Homes Articles of Association which would enable the Thirteen Group consolidation to take place (as detailed in paragraph 5 of this report).
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 - (i) THL converting to become a community benefit society.
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DETAIL

Overview of the consolidation proposal

1. Members will recall that following a comprehensive option appraisal of its housing stock, a decision was taken (supported by an overwhelming tenant vote) to undertake a large scale voluntary stock transfer. This stock transfer completed in December 2010 with the Councils 10,500 housing stock transferring to Tristar Homes Limited (THL). THL were established as a new, independent registered provider (RP) and together with Housing Hartlepool formed a new housing group (Vela).

2. In 2014 the Vela Group merged with Fabrick (parent company of Erimus Housing and Tees Valley Housing) to form the Thirteen Group. Within the Thirteen Group there are currently four subsidiary RP's THL, Housing Hartlepool, Erimus Housing and Tees Valley Housing. Since this merger Thirteen has secured £20m in efficiency savings, however the Group recognises that it needs to do more to address the significant challenges it (like all housing providers) now faces. Thirteen are therefore proposing to consolidate to form a **single RP landlord, overseen by a single Board**. By doing so Thirteen aim to:
- Simplify the Group structure;
 - Reduce duplication;
 - Free up time to focus on improving services; and
 - Make the Group more financially stable

Why is the consolidation being proposed?

3. As detailed above over recent years the operating environment for all RP's (based both locally and nationally based) has changed dramatically and RPs are seeking to make significant savings following announcements made in the 2015 summer budget. These announcements included:
- A cut in social rents by 1% per year for the next four years;
 - The proposed introduction of 'voluntary right to buy' for all housing association tenants; and
 - To limit the amount of rent payable to the Local Housing Allowance Cap from 2018, for all new tenancies entered into after 1 April 2016**

(**Following the Autumn 2016 Budget a recent ministerial statement has announced the Local Housing Allowance cap for general needs accommodation will be pushed back a year to 2019. However it will now apply to all tenants on Universal Credit, rather than just those who sign new or re-let tenancies, which was the previous policy. National bodies representing RP's has indicated this will place future financial pressures on both tenants and PR landlords).

4. The above changes have resulted in a projected loss of rental income of £55m from the Thirteen Group business plan. In response to this Thirteen (like other RP's) need to achieve greater efficiencies to mitigate lost income, unlock capacity within the Group to be able to continue to deliver quality services to its tenants and continue to deliver additional affordable housing units. Thirteen has recognised that having four separate subsidiary RP's within the Group (plus the Thirteen parent company) by its nature increases bureaucracy / duplication and is not necessarily an effective use of money and resources. The projected savings year on year of reducing the number of Boards and Board Directors across the Group, plus associated back-office functions is significant. Perhaps more importantly creating a single entity gives far greater flexibility in accessing funding streams that are not necessarily constrained to a particular landlord. This will see benefits and advantages in leverage of additional financial resources to support their investment programmes.

What is proposed?

5. In order to facilitate the proposed consolidation Thirteen are seeking consent to change the existing THL Articles of Association. Should the Council agree to this it will result in a number of changes which are summarised below:
- THL will convert to become a community benefit society (under section 115 of the 2015 Act) and will then transfer its engagements (under section 110 of the 2014 Act) to Thirteen. **THL will then be dissolved.**

- Prior to transfer, Thirteen will convert to become an exempt charity and a community benefit society.
 - A similar process (following securing of consents from relevant neighbouring authorities) will be followed for its other stock transfer subsidiary landlords.
 - Prior to transfer, THL will convert to become a community benefit society and an exempt charity.
 - Thirteen will hold all social housing assets currently held by THL together with the assets of Housing Hartlepool, Erimus Housing and Tees Valley Housing (approx. 34,000 properties).
 - Thirteen will remain registered as an RP with the Homes and Communities Agency.
 - The individual RP boards will cease, and a sole Thirteen Board will comprise of eleven people. In line with the requirements of the Regulator's Governance and Financial Viability Standard, Board members will be appointed on the basis of skills and experience.
6. Pending securing the necessary consents the proposed change for the consolidation is 1 April 2017.

What does this mean for the Council?

7. When THL was established it was determined that the THL Board would include both council and tenant representatives (currently the Council has 2 seats on the THL Board). Under the consolidation proposals:
- The Council would **no longer** hold rights as a company member or shareholder in Thirteen, nor shall it have any automatic right to appoint persons onto the Thirteen Board.
8. Members can be re-assured that the obligations negotiated and agreed as part of the stock Transfer Agreement with THL will remain unchanged (examples of such obligations include the VAT and right to buy financial sharing arrangements), as on consolidation they will be vested in Thirteen.

What does this mean for tenant THL Board representatives?

9. As referenced in paragraph 5 the consolidated Thirteen Board would be appointed on the basis of relevant skills and experience, subsequently tenants would no longer have an automatic entitlement to sit on the Board. However following consultation with the Thirteen Customer Council, the vital role customers play has been recognised and going forward it has been agreed that the Chair (or another representative) of the Thirteen Customer Council will be invited to attend each Thirteen Board meeting to ensure that customer insight at this level is maintained. Opportunities for tenant involvement (including scrutiny) will continue through the Group's established involvement framework.

The views of tenants and leaseholders

10. Prior to formally approaching the Council, a consultation leaflet was issued to all 36,000 tenants and leaseholders. At the close of the consultation (October 2016) only 31 responses were received (of which 3 indicated they were against the consolidation proposal). For Members information, services to tenants / leaseholders and tenant rights will be un-affected by the consolidation proposal.

Looking forward / maintaining effective relationships with the Council

11. The establishment of THL as an independent RP in 2010 has resulted in significant investment (into properties and services) within the Borough. Members may recall that back in 2013/14 a scrutiny review of 'promises' made to tenants at the time of stock transfer was undertaken by the (then) Environment Select Committee. Select Committee concluded that it "was positively reassured that the promises made were either being met or in many cases being surpassed".
12. Thirteen have and will continue to be a key partner of the Council and collectively we are working on a number of key projects which will continue to deliver significant investment into the Borough as well as actively supporting the Council in delivering its key economic and broader strategic ambitions. Examples of recent and ongoing projects include:
 - **Meadowfield House** (Billingham) – this £4m 'care ready' housing development opened up late 2015, enabling 38 households to live independently with support.
 - **Acorn House (Thornaby)** – opened in December 2016, this new apartment scheme will provide 15 units of independent living accommodation for residents with a learning disability (the first scheme of its kind in the Borough).
 - **West End Gardens** (central Stockton) – Thirteen have secured planning permission for 117 affordable housing units and are currently on site building out phase 1 of the development (the scheme will provide a mix of family, bungalow and single person accommodation).
 - **Victoria** (central Stockton) – working in partnership with the Council, Thirteen are actively decanting the estate and collectively we are working up future plans for its redevelopment (providing an 'Urban Village' exclusively for those 55+years). As part of this proposal Thirteen will shortly start decanting Elm House apartments.
13. Thirteen are also committed to maintaining both their ongoing operational and strategic relationships with the Council. Central to this is maintaining existing contact and working relationship with ward members. This will include; ensuring members (who have Thirteen properties within their ward) have a direct contact number and access to their local Area Manager, continuing to meet with members on a regular basis to carry out estate walkabouts and/or attend residents meetings, talking to members about neighborhood plans and future investment proposals and continuing to support (wherever possible) local residents/tenant groups.
14. At a broader level Thirteen's commitment to the Borough will continue to be evidenced through their participation in key strategic partnerships including; the Stockton Local Strategic Safeguarding Children's Board, the Safer Stockton Partnership and the Housing and Affordable Warmth Partnership. Looking forward Thirteen want to continue to be the Councils 'partner of choice', and have a significant forward investment programme which includes:
 - This financial year a further £14.4m
 - Between 2017/18 to 2021/22 £41m to be investment in properties and neighborhoods improvements.
 - Over the next 3 years the delivery of 145 new homes in the borough (95 affordable rent and 50 for intermediate homeownership).

15. In addition active discussions will shortly commence the Council to develop a Strategic Plan which will align Thirteen's investment ambitions with the Councils priorities to maximise impact and to explore joint venture opportunities.

COMMUNITY IMPACT IMPLICATIONS

16. The consolidation proposals detailed within the body are aimed at driving out financial efficiencies which will enable Thirteen to continue to invest in both property and tenant services within the Borough. They are a key strategic partner of the Council in terms of the development of new affordable homes and in supporting the Council drive forward housing led regeneration.

FINANCIAL IMPLICATIONS

17. The consolidation proposal will have no financial impact on the Authority. As noted previously the obligations negotiated and agreed with THL as part of the stock Transfer Agreement will on consolidation vest with Thirteen.

LEGAL IMPLICATIONS

18. Should members approve the consolidation proposal, THL will first convert to become a community benefit society (using the statutory process set out in section 115 of the Co-operative and Community Benefit Societies Act 2014 ("the 2014 Act")) and then transfer its engagements to Thirteen (under section 110 of the 2014 Act).
19. By virtue of section 110 of the 2014 Act, the obligations of THL to the Council (together with the benefits currently enjoyed by THL) under the Transfer Agreement will be vested in Thirteen.
20. Consultation with the residents on these proposals has been carried out and that the results of that consultation justify Cabinet approval to these proposals

RISK ASSESSMENT

21. The proposal detailed is deemed to be low to medium risk for the Council. Existing management systems and daily routine activities are sufficient to control and reduce risk.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

22. Whilst the proposal detailed do not directly impact on Council Plan, the ability for Thirteen to continue investment into the Borough will support a number of policy priorities including; protecting the vulnerable, delivering strong and healthy communities and supporting economic regeneration.

CORPORATE PARENTING IMPLICATIONS

23. No direct implications contained within this report.

CONSULTATION INCLUDING WARD/COUNCILLORS

24. There has been no formal consultation to date with ward members in relation to this issue, although briefings have taken place with the Cabinet Members for Environment and Housing and Regeneration and Transport.

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Education related?

No.

Background Papers

Not applicable.

Ward(s) and Ward Councillors:

All

Property

There are no implications for Council property.