



Executive
13th February 2006

**Report from the Director of
Housing and Community Care**

For Action/

Wards Affected:
ALL

Proposed Changes to Fortunegate Community Housing

Forward Plan Ref: HSG&CC-05/06-19

1.0 Summary

- 1.1 This report sets out proposed changes to Fortunegate Community Housing within the Catalyst Housing Group and seeks members' in-principle agreement to the changes.

2.0 Recommendations

- 2.1 That members agree in principle to the proposed changes to Fortunegate Community Housing, whereby Fortunegate takes over Ealing Family Housing Association and Keystart stock within the borough and becomes the borough-wide housing association for Brent, within the Catalyst Group.
- 2.2 That members note that Catalyst have indicated they are likely to propose changes to the board of Fortunegate CH, which will include changes to resident and council membership, subject to the views of the Fortunegate board. Members will be asked to make a decision about any proposed changes to council representation on the board, if and when the proposal is made.

3.0 Detail

- 3.1 Fortunegate Community Housing (FCH) is the local housing company set up in 1998 to receive the transfer of the former council housing estates of Church End and Roundwood. FCH was originally a subsidiary of Ealing Family

Housing Association (EFHA) but in 2002 EFHA established a new group structure, creating a parent company called Catalyst Housing Group (CHG). Other members of the group include Kensington Housing Trust (KHT) and Keystart (formerly Northcote Housing Association). Fortunegate has of course been regenerating the Church End and Roundwood estates and that work is now well advanced.

3.2 Following the adoption of the new group structure, CHG proposed making FCH a full member of the group, rather than a subsidiary of EFHA, so that FCH had equal status to the other group members. This was also the structure preferred by the Housing Corporation, the regulating body for registered social landlords (RSLs). Because the council is a corporate member of FCH and also has three members on the FCH board, it was invited to agree this change by way of a report to the Executive on 28th April 2003. Members agreed to the principle and gave the Director of Housing delegated authority to negotiate and agree changes to various legal documents as necessary. Changes to FCH's Memorandum and Articles of Association were duly made and FCH is now equal to EFHA in terms of the group structure (though not of course in terms of size).

3.3 Catalyst is now making further structural changes in order to better equip the group to respond to four key drivers:

- growth through new development and merger activity
- mixed tenure, developing new homes for rent and for sale at a range of prices
- quality of both new and existing stock
- efficiency, through reduced operating costs and new procurement methods.

3.4 A number of structural changes have already been agreed for the group, including the following:

- the merger of EFHA and Keystart to become Catalyst Communities Housing Association.
- the transfer of rented and shared ownership stock currently owned by EFHA in the boroughs of Westminster, Kensington & Chelsea, Hammersmith & Fulham to Kensington HT.
- the formation of a new Sales and Marketing Division within CHG, to support the development of home ownership and mid market solutions across the group.
- a cross-collateralised funding agreement between all the companies within the group, so as to maximise individual and collective capacity.

This last point will allow all the property holdings across the group to be used to secure funding arrangements for the benefit of any individual member of the group as well as adding to the financial strength and development capacity of the group as a whole.

3.5 It is also intended to rationalise the distribution of the group's housing stock into more clearly defined geographical areas, with individual group members responsible for all tenures within their area. Also by operating in more limited

areas, each company will develop a stronger local identity, greater operational efficiency and stronger relationships with other stakeholders, not least the local authorities for the areas in question. Thus the new Catalyst Communities Housing Association (CCHA) will operate in Ealing, Harrow, Hounslow, Hillingdon and Reading. KHT will operate in Westminster, Kensington & Chelsea, Hammersmith and Fulham, taking over EFHA and Keystart properties in that area.

- 3.6 It is proposed that FCH becomes the locally based arm of the Catalyst group for the whole of the borough of Brent. EFHA and Keystart have already agreed to transfer their properties in Brent to Fortunegate, as soon as their funding arrangements allow it. Catalyst would like to see all future development activity in Brent owned and managed by Fortunegate. Thus Fortunegate would become 'the face of Catalyst in Brent'. The proposal to broaden the role of Fortunegate in this way was agreed by the FCH board on 29th September 2005, subject to consultation with residents and the council.
- 3.7 The main reason for this proposal is to guarantee the long term future of FCH. FCH currently owns about 1,100 homes and manages a further 120 on behalf of EFHA in the Church End area. It is the smallest member of the Catalyst group, which overall owns around 15,000 properties. With completion of the new homes at Church End, FCH would get back to something like the original total of 1500 homes at transfer. However, during the seven years since the transfer of the three estates to FCH, a further 100 homes approximately have been sold under the preserved right to buy. If that trend continues, FCH will go into slow decline. It will become harder to attract good staff and there is a fear that the standard of service to tenants could fall. This would be against a backdrop of rapid expansion in the rest of the group, where growth is seen as the best way to achieve economies and improve services.
- 3.8 Catalyst's approach to development through cross collateralisation is designed to allow the smaller members of the group to have the financial strength of the larger. Also, Catalyst itself will carry out development work on behalf of its members, providing a work programme to justify a large development department with an appropriate staffing level to provide cover and expertise.
- 3.9 Officers support the objective of long term sustainability for FCH and it is a common theme amongst RSLs that growth is required to achieve this. Currently EFHA and Keystart together own about 340 units in the borough, compared with their overall combined holdings of almost 11,000 units. Rather than have three separate RSLs from the same group with relatively small property holdings in Brent, it would make sense to combine these into a single association, with more specific connection with the borough. FCH's constitution does not allow it to own stock outside the borough and there are no proposals to change this, so it would remain a Brent-only RSL.
- 3.10 FCH has the advantage of having an office in the borough at Church Road, Willesden. This may need to expand eventually, but further development activity in the Church End area will present an opportunity to achieve this. Officers are working with Catalyst to achieve the benefits of regeneration in

the wider Church End area and this will deliver significant numbers of new housing units, including social housing which it is expected that FCH will own. Officers have regular liaison meetings with FCH and hold separate discussions with EFHA concerning development activity. In future, the core Catalyst HG would conduct all development activity on behalf of all members of the group. Development staff would remain the same, requiring little or no change to current liaison arrangements.

- 3.11 The key issue for members to consider is that FCH was set up as a community based housing association for the Church End and Roundwood estates. The consultation with tenants prior to the stock transfer to FCH included the undertaking that a special-purpose housing company would be set up just for the three estates i.e. Church End Resiform (white flats) Church End Traditional and Roundwood. The changes proposed therefore represent a fundamental change to FCH's status from being locally based in Church End to becoming borough wide. In reaching their decision, members will need to consider whether the residents of the three estates will be disadvantaged by the proposed changes.
- 3.12 FCH's own board decision was subject to hearing the views of residents and this is also an important consideration for the council. FCH sent a consultation document to all its residents in the middle of December 2005 (see appendix 1). The document set out the proposed changes and invited residents to attend one of three meetings, one for each of the three estates. There were also posters around the estates advertising the meetings. Residents' written comments on the proposals were invited back by 13th January.
- 3.13 By the close of the consultation period, no written comments had been received. Each of the meetings was attended by only two people. The meeting on Church End Traditional was attended by two leaseholders: one was seeking clarification; the other expressed some concern that the proposal would change the nature of FCH and was not in favour of the idea that some board members might be from other parts of the borough. At the meeting held on Church End Resiform/New Build, one tenant supported the proposal and thought it was a good thing that FCH is looking towards the future and its long term viability. The other tenant sought some clarification and then said she was happy with the proposals. The third meeting was at Roundwood, where the two tenants who attended listened to the explanation of the proposal but did not express any concerns.
- 3.14 In summary, there were no written comments received, either in support of or against the proposals. Of six people in total who attended public meetings, one expressed some opposition, one expressed support and the remainder were either content or had no views.
- 3.15 FCH's main commitment to its residents is to regenerate the three estates. This obligation will of course remain and in any case is well advanced. The refurbishment programme has just been completed and the final phase of the new build will be completed by April 2008. FCH maintain that the new proposals do not impact on this obligation and say that growth would increase

available resources, allowing improved service provision, including more community development work.

- 3.16 The consultation document refers to the need to review the current constitution of the FCH board. The document does not specify the changes precisely but says that the current board is too large and has overly complicated rules about how meetings are run. It says that residents would continue to comprise at least one third of the board's membership, but that they would include residents from other parts of the borough. It would be for the corporate members of the company (the Council and Catalyst Housing Group) and the FCH board to decide on the future details of the board's composition
- 3.17 The composition of the FCH board was set up to ensure that promises to local residents were met and these promises are now well on the way to being delivered. The size of the board is large and council representation is greater than on the other recent special-purpose RSL set up in the borough - Hillside Housing Trust which has one council director. The constituency based quorum is also unwieldy.
- 3.18 If FCH becomes the sole arm of Catalyst in Brent, it will take over existing EFHA and Keystart stock in the borough and develop new homes both within and outside the Church End area. It would then become more appropriate for resident membership of the board to be drawn from across all FCH's stock, not just the Church End and Roundwood estates, although clearly Church End and Roundwood tenants would remain in the majority for some years to come. The detail of how this could be done, will be the subject of further consultation with residents.
- 3.19 Catalyst has indicated that it believes that the change in status to a borough-wide RSL would make it appropriate to streamline the FCH board, by reducing its size and changing its composition. As well as affecting residents' membership, this will include proposals to change the council's representation on the board. FCH will consult its own board and is then likely to propose further changes to the council, which will come to a later meeting of the Executive. In doing so the council will need to consider its corporate interests and whether the interests of the tenants are adequately protected.
- 3.20 Members are not being asked to consider membership of FCH's board now. However, it is important that the Executive considers the issue of the rationalisation of Catalyst's housing stock in the borough, in time for the wider changes taking place in the Catalyst group from April this year.

4.0 Financial Implications

- 4.1 There are no financial implications arising from this report, in terms of additional cost to the council. Officers' time, including that of Legal Services, in negotiating and executing any detailed changes required, will be met from existing budgets.

5.0 Legal Implications

- 5.1 The proposed transfer of EFHA and Keystart stock to FCH does not in itself require any change to the Constitution (that is, the Memorandum or Articles of Association) of FCH because the type of work that can be undertaken by the company is already widely enough drawn, however in order for residents of the new stock to be represented on the Company the Articles of Association would need to be substantially redrafted. The potential change to the number of council representatives and quorum for meetings would also require amendments to the Articles, about which Members will receive a further report in due course.
- 5.2 The obligation on FCH to carry out and complete the regeneration of the Church End and Roundwood estates and other legal obligations as undertaken in the Development Agreement will remain unchanged.

6.0 Diversity Implications

- 6.1 The Church End and Roundwood estates contain higher than average proportions of tenants from ethnic minority backgrounds, particularly black African/British, black Caribbean/British, however, the proposals referred to in this report concern the business structure of Catalyst Housing Group and Fortunegate Community Housing and are believed to neither favour nor disadvantage one group more than any other.

7.0 Staffing/Accommodation Implications

- 7.1 There are no council staffing or accommodation implications arising from this report.

Background Papers

“The Future Role of Fortunegate in the Catalyst Housing Group” – report to FCH board 29 September 2005.

Memorandum of Association of Fortunegate Community Housing
Articles of Association of Fortunegate Community Housing

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