



**Executive**  
11 April 2011

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

Wards affected:  
ALL

**Fortunegate Community Housing – Transfer of  
Engagements to Catalyst Communities Housing  
Association Limited**

**1.0 Summary**

- 1.1 The purpose of this report is to seek the Council's approval to transfer the assets, obligations and liabilities of Fortunegate Community Housing ("Fortunegate") to Catalyst Communities Housing Association Limited.
- 1.2 Fortunegate is currently a subsidiary organisation of Catalyst Housing Group Limited and Fortunegate is a Registered Provider. Catalyst Housing Group Limited, which is the charitable group parent company, is planning to restructure its existing group so that the charitable group parent company and two of its subsidiaries, namely Fortunegate and Kensington Housing Trust, will transfer their engagements to Catalyst Communities Housing Association Limited, which in turn will be renamed Catalyst Housing Limited. This will mean that the Catalyst group will have only one Registered Provider. This is part of a major restructure on the part of Catalyst Housing Group. Changes to Fortunegate Community Housing require the Council's approval and this is why this report is submitted to the Executive for its consideration. The first part of the process involves converting Fortunegate from a registered charity to a registered society under the Industrial and Provident Societies Act 1965. This will facilitate the second part of the process which is to transfer the obligations, assets and liabilities of Fortunegate to Catalyst Communities Group Housing Association Limited, which in turn will be renamed Catalyst Housing Limited. Details of the Local Board arrangements for the proposed new structure are set out in this report.

**2.0 Recommendations**

- 2.1 The Executive authorises Fortunegate Community Housing to convert from a registered charity to a registered society under the Industrial and Provident Societies Act 1965 and thereafter, to transfer its engagements to Catalyst

Communities Housing Association Limited, which is a registered charity and which will be subsequently re-named Catalyst Housing Limited.

### 3.0 Detail

- 3.1 Fortunegate Community Housing ("Fortunegate") is a company limited by guarantee, a registered charity (with the Charity Commissioners) and a Registered Provider (with the Tenant Services Authority). Fortunegate is the community-based housing company which has set up in 1998 to receive the transfer of the former council housing estates of Church End and Roundwood. Fortunegate was set up as a partnership between Brent Council, the residents of Church End and Roundwood and Ealing Family Housing Association ("EFHA"). Fortunegate was originally a subsidiary company of EFHA but in 2002, EFHA established a new group structure, creating a parent company called Catalyst Housing Group. Other members of that group included Keystart (formerly Northcote Housing Association) and Kensington Housing Trust. The Council is a corporate member of Fortunegate and the Council currently has two members on Fortunegate's Board, which consists of 12 members. Fortunegate has been regenerating the Church End and Roundwood estates in the borough of Brent.
- 3.2 In April 2003, the Council's Executive agreed in principle to allow Fortunegate to become a full member of the Catalyst Housing Group so that Fortunegate had equal status with the other group members and the Director of Housing was given delegated authority to negotiate the various amendments that were necessary to Fortunegate's Constitution. In February 2006, the Executive gave approval in principle to Fortunegate taking over the housing stock of EFHA and Keystart within the borough of Brent. Until April 2006, Fortunegate was confined to being the landlord of housing stock in the Church End locality of the borough. Since April 2006, Fortunegate has been operating on a borough wide basis in Brent and is currently the sole arm of Catalyst Housing Group in Brent. In January 2007, the Council's Executive approved changes to the quorum and size of Fortunegate's Board as the quorum was reduced from 18 to 12 and the number of Council members on Fortunegate's Board was reduced from 3 to 2.
- 3.3 The reasons for the proposed re-structure are explained in an explanatory note that was given at a conference of all Board Members of Catalyst Housing Group Limited and a copy of that explanatory note is set out in **Appendix 1** to this report. In short, the proposed re-structure will enable Catalyst Housing Group Limited to have a more simplified scheme of governance which will provide better value for money and provide one single housing management function to drive forward a single vision of customer service. Catalyst Housing Group Limited believes that the proposed new legal and governance structures will allow them to do the following:
- make residents the focus of everything they do;
  - empower residents to be at the heart of the business, scrutinising their operations and services;
  - improve internal and external communications and establishing a single voice for the group;

- speed up and provide informed and more consistent decision-making;
- improve value for money in governance.

## **Proposed Restructure**

- 3.4 Catalyst Housing Group is planning to a major restructure in the way it is organised. The current structure is set out in **Appendix 2** to this report. Catalyst Housing Group Limited (“CHGL”) is the charitable parent company and its subsidiaries are Catalyst Communities Housing Association Limited (“CCHA”), Kensington Housing Trust (“KHT”) and Fortunegate. All of these four companies are Registered Providers and these have a number of charitable and non-charitable subsidiaries.
- 3.5 Catalyst Housing Group is proposing that CHGL, KHT and Fortunegate will each transfer their engagements to CCHA, which in turn will be re-named Catalyst Housing Limited. This will mean that there will be only one Registered Provider within Catalyst Housing Group. A chart setting out the proposed restructure is set out in **Appendix 3** to this report. Details of the process are set out in paragraphs 3.8 to 3.15 below.
- 3.6 Fortunegate’s current objects, as set out in its Memorandum of Association, are carried out “primarily for those who are resident in the London Borough of Brent”. The proposals, if approved and implemented, will remove the specific geographical focus regarding Brent. This requires the agreement of the Council’s Executive and the Tenant Services Authority. Furthermore, it is necessary for Fortunegate to consult with the Charity Commission and residents of Fortunegate.
- 3.7 The other structural changes, which do not directly involve Fortunegate and in which the Council’s approval is not being sought, include proposing to merge Catalyst Communities Trust and KHT Community Fund into a single registered charity called Catalyst Gateway. The Southall Day Centre will be a subsidiary of this charity. Catalyst Finance Limited, Dee Park Developments and Catalyst by Design will become subsidiaries of CCHA, which will be renamed Catalyst Housing Limited.

## **Conversion of Fortunegate from a charity to a registered society**

- 3.8 The first stage of the restructuring process is to convert Fortunegate from a charity to a registered society under the Industrial and Provident Societies Act 1965. The Charity Commission must be advised that Fortunate is proposing to convert to a registered society. Members of Fortunegate must pass two special resolutions at a general meeting to: (i) convert to an industrial and provident society and adopt a set of rules, and (ii) to appoint three people to be initial members of the society, sign the new rules and accept any amendments required by the Financial Services Authority (“FSA”).
- 3.9 Thereafter, the resolutions and signed rules are then sent to the National Housing Federation for processing or direct to the Tenant Services Authority

("TSA"). The consent of the TSA to the conversion will be required. The resolutions and new rules are sent to the FSA to be registered. The FSA will register Fortunegate as a registered society and send confirmation of the registration to the Charity Commission who will remove Fortunegate from the register of charities. The FSA will also send the resolutions to Companies House and the conversion takes place on the date that Companies Housing registers the resolution.

- 3.10 As a charity, Fortunegate can only go through these procedures if, following the completed process, its charitable objects will continue to be met by the resultant legal entity. This means that the transferee, CCHA, must also be an organisation with compatible charitable objects, which it is, as CCHA is a charitable registered provider.

### **Transfer of Engagements from Fortunegate to Catalyst Communities Housing Association (CCHA)**

- 3.11 The second stage of the process is to transfer the engagements of Fortunegate, Kensington Housing Trust and Catalyst Housing Group Limited to Catalyst Communities Housing Association Limited ("CCHA").
- 3.12 A general meeting of each transferring society, including Fortunegate, is held to pass a special resolution to transfer its engagements to CCHA. The board of CCHA (following the general meeting of the transferring societies) must pass a resolution that it will accept the transfer of engagements from each of the transferring societies. Following the meeting of CCHA's Board, and not less than 14 days and not more than one month after its general meeting, the members of each transferring society must pass a resolution confirmation that it still wants to transfer its engagements to CCHA. Following the second resolution of each transferring society, both resolutions and a declaration signed by the secretary of each transferring society must be sent to the FSA for registration. The effective date of the transfer of engagements is the date in which the resolutions are registered with the FSA.
- 3.13 When the transfer of engagements to CCHA becomes effective, the Land Registry must be notified and an application must be made to register the title of all the properties of each transferring society in the name of CCHA. Lenders usually require an undertaking from the lawyers of the receiving society to make the application to register at the Land Registry the transfer of engagements.
- 3.14 On the transfer of engagements to CCHA, all the obligations of Fortunegate, including the assets and liabilities, will pass by operation of law to CCHA.
- 3.15 Once the transfer of engagements to CCHA is complete, this new merged body will be named Catalyst Housing Limited and this will be regulated by the TSA or its successor. Catalyst Housing Limited will be a charitable body subject to charity law. Fortunegate's solicitors have advised officers that the Charity Commission will be fully involved in this re-structuring process as the Charity Commission's permission is required to change the corporate nature

of Fortunegate and to transfer Fortunegate's engagements to CCHA. The discussions which Fortunegate and their solicitors have had to date with the Charity Commission have not suggested that there will be any difficulties.

### **Changes to Board Structure and Brent Council's influence**

- 3.16 Once the changes have taken place, there will be one registered provider, which will be controlled by one main Board. However, four "Local Boards" will also be established and they will have responsibility for ensuring that operations and customer facing budgets are locally responsive and focused. The chairs of the Local Boards will be ex-officio members of the main Board. One of these local Boards will be a "Brent Local Board" where Brent Council will continue to be able to influence the work of the merged registered provider in the borough of Brent and will have a remit to direct and scrutinise service delivery. The three other Local Boards will be the West London Local Board, Kensington Local Board and South East Local Board, the latter of which will have responsibility for Catalyst's housing stock outside London.
- 3.17 The original plan was for a membership of seven local members for the Brent Local Board, of whom three would be residents, three would be independent members and with the one remaining place being reserved for a Brent Councillor. With such an arrangement, it was thought that this would ensure similar representation from Brent councillors on the Brent Local Board (one out of seven) to the current representation of Brent Councillors on the Fortunegate Board (two out of twelve). Also, Fortunegate currently manages housing stock outside the wards of Harlesden and Dudden Hill (eg Wembley) and in 2012, Catalyst will be involved in the handover of 50 units at Carlton Vale in South Kilburn. Catalyst has recently been selected as a development framework partner for future phases of the regeneration in South Kilburn. Thus, although the focus of the Brent Local Board will remain in Church End, it will be increasingly active elsewhere in Brent and this will be the future focus of the Brent Local Board alongside working closely with their residents in Church End.
- 3.18 However, after discussions with officers and the Lead Member for Housing at Brent Council regarding concerns about the reduction of the number of councillor members on the Fortunegate Board to one councillor member on the Brent Local Board, an alternative recommendation has been submitted by Fortunegate to the Members' Steering Group of Catalyst Housing Group. This alternative recommendation is to increase the size of the Brent Local Board to a maximum of 10 members with 2 councillors, 4 independent members and up to 4 resident members and accordingly, the Brent Local Board would have 2 councillors similar to the arrangement of two councillors on the Fortunegate Board. Officers have recently been advised that the Members' Steering Group of Catalyst Housing Group has agreed to the recommendation that there is a maximum of 10 members, with 2 councillors, 4 independent members and up to 4 resident members.

- 3.19 Catalyst Housing Group Limited believes it is important to operate in a local way for a number of reasons which are as follows:
- Catalyst does not think that a one-size fits all approach will deliverer their customer focus ambition;
  - Catalyst believes that to make a difference to people's lives, they need to gain a first-hand understanding of their situation and deliver flexible solutions
  - Catalyst want to empower their residents to be involved in the management of their homes;
  - Catalyst recognises the importance of maintaining a focus on their relationships with local authorities, which play a key role in commissioning homes and in the delivery of services which make neighbourhoods successful;
  - Catalyst believes in being accountable to their customers.
- 3.20 Catalyst Housing Group proposes that the Local Boards will have a remit in the following areas:
- *Planning:*
    - Approve the operational plan for the region
    - Give in-principle support to any proposal to refurbish or redevelop existing stock in the local area prior to this being considered by the main board for approval
    - Provide input into Catalyst's planned investment and asset management strategies
    - Determine the strategy, and act as the client for community investment in the local area in concert with Catalyst Gateway
  - *Customer Relationships:*
    - Oversee Resident Involvement in the local area and develop and maintain strong relationships with resident representatives and engage with resident groups in the local area.
  - *Budgets:*
    - Oversee budgets delegated by the Catalyst Board in accordance with the operational plan including, but not limited to:
      - Repairs maintenance and planned investment
      - Estate services
      - Resident involvement
      - Anti-social behaviour
      - Support costs for the Local board including expenses for board members
  - *Monitoring:*

- Monitor the service delivery performance of Catalyst in the local area by evaluating Key Performance Indicators, reviewing customer satisfaction surveys and identifying where improvements are needed
  - Review performance on complaints and provide a representative to sit on complaint panels
  - Receive the minutes of the Catalyst Board for information
  - Receive a regional update at each meeting informing the Board of key activities and new business and development opportunities in the region.
  - Raise any issues of concern about customer service delivery
  - Review the impact and outcomes of community investment in the local area
  - Monitor performance against the operational plan.
  - Agree local standards and monitor compliance with regulatory requirements and report findings to the Catalyst Board.
- *Stakeholder relationships:*
    - Develop and maintain good relationships with Local Authorities and other external parties.
    - Work with staff members, advisors and other residents to understand and communicate the long term priorities in the local area

### **Resident Consultation**

- 3.21 Catalyst Housing Group Limited consulted formally with residents over the period between 13 December 2010 and 31 January 2011 by means of a formal individually addressed letter to each tenant and leaseholder, along with a Question and Answer sheet, leaflet, response sheet and prepaid envelopes. Translations of these documents were provided on request. Fifteen consultation events were held with residents in local and accessible locations, including those in sheltered accommodation. Catalyst Housing Group has met with existing resident groups, put up posters and comments boxes in officers, posted materials to their website and set a consultation e-mail for replies. Prior to the commencement of this consultation, Catalyst Housing Group Limited sought the views of the TSA, the Group Residents' Federation and the Board Steering Group and the TSA expressed satisfaction that their approach was comprehensive.
- 3.22 624 response sheets were returned by residents. A summary of responses to the quantitative questions is set out in **Appendix 4** to this report. In the column headed "other", this means either the question was not answered or multiple boxes were selected. There was overwhelming support among those who responded for the following;
- Local Boards, including up to 50% resident membership, making decisions about service delivery;
  - A single customer services department (the comments made by residents accompanying this question indicate that they concerned about a single call centre rather than a single housing department/customer services department);

- Designated neighbourhood managers;
- Improvements to customer services;
- Merging the four registered providers.

- 3.23 The question that caused the biggest divergence of opinion among residents was the election/selection process of resident Local Board members. There was very little support for a wholly elective process. However, opinion was divided between a purely selective process (which will be used for independent Board members) and a hybrid model where residents will elect from a pool of those who have passed the selection process. The balance is in favour of the hybrid model. All written comments relating to Fortunegate were transcribed and are attached in **Appendix 5** to this report. It should be added that there will only be an elective process for resident Local Board members if there are more suitable candidates than there are available places. For example, if there are four suitable applicants and four places on the Local Board, there will not be an election. Members are also asked to note that only residents of the Catalyst Housing Group living in Brent will be eligible to apply to join the Brent Local Board as a resident member.
- 3.24 A total of 196 residents attended the fifteen consultation meetings that were held. A high level summary of the outcome of those consultation meetings is set out in **Appendix 6** to this report. **Appendix 7** to this report sets out the questions asked and responses given at the meetings relating to Fortunegate.

#### **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 involved in this matter will be met from existing budgets.

#### **5.0 Legal Implications**

- 5.1 Under sections 51 and 54 of the Industrial and Provident Societies Act 1965 ("IPSA"), a registered industrial and provident society may by special resolution transfer its engagements to another registered society.
- 5.2 Section 51(1) IPSA provides that: "Any registered society may by special resolution transfer its engagements to any other registered society which may undertake to fulfil those engagements, and if that resolution approves the transfer of the whole or part of the society's property to that other society, the whole or, as the case maybe, that part of the society's property shall vest in that other society without any conveyance or assignment".
- 5.3 Section 54 IPSA provides that: "An amalgamation or transfer of engagements in pursuance of section 50, 51 or 52 of this Act shall not prejudice any right of a creditor of any registered society which is a party thereto".



- 5.4 A transfer of engagements under IPSA means that the property of the transferring society (which includes Fortunegate) vests in the receiving society (in this case, CCHA) by special resolution and does not require any other conveyance or transfer. “Engagements” means the assets, obligations and liabilities. The agreement of the receiving society to the transfer of engagements and its agreement to fulfil them is necessary as a precondition to the passing of a valid resolution as only “any other registered society which may undertake to fulfil those obligations” can become the transferee.
- 5.5 Under a transfer of engagements pursuant to IPSA, any obligations of a transferring society to a lender under a loan agreement will transfer to the receiving society, as will any property of the transferring society which secures the loan. The transferring society then has no assets, obligations or liabilities, and is removed from the FSA register following an application in the standard form.
- 5.6 The proposed restructure involves the transfer of engagements of Fortunegate to CCHA. As Fortunegate is a charitable company, it will be necessary for Fortunegate to convert to an industrial and provident society under section 53 IPSA prior to the transfer of engagements to CCHA in order that it can transfer its engagements. Section 53 IPSA provides that a registered company can determine to convert to a registered society by special resolution provided it complies with the statutory procedure as set out in paragraphs 3.7 to 3.11 above. Any company converting to a registered society under IPSA retains all its assets and liabilities and the only change is to its corporate status.

## **6.0 Diversity Implications**

- 6.1 Fortunegate’s parent company, Catalyst Housing Group, has carried out an Equalities Impact Assessment regarding the proposed changes to the group structure and a copy of the same is set out in **Appendix 8** to this report. No adverse impacts were identified in the Equalities Impact Assessment. A Resident Impact Assessment was also carried out and a copy of the same is set out in **Appendix 9** to this report.

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