

Appendix 1

Explanatory Note from Catalyst Housing Group Limited - Why is this re-structure taking place?

We want Catalyst to be a vital force for change and improvement wherever we work - providing high quality homes for those priced out of the market, delivering excellent customer service, and working with local partners to transform the prospects of our residents and the areas in which they live. We want to act as a springboard of opportunity for our customers and not just as a safety net. We want Catalyst to be large scale in its thinking and its capacity but to be rooted in local relationships and local communities. To do all of this requires people, structures and systems which can consistently deliver superb customer service and high quality new and existing homes, and which have the ability to think and act big but deliver in a tailored way. In the world that lies ahead we will also need to generate more of our own financial capacity and rely less upon state aid.

We start from a good position but we should not underestimate the scale of the challenge we face. We want Catalyst to be not just consistently good but consistently excellent at customer service so that we are the landlord of choice wherever we work. This requires single-minded determination and a transformation of culture, customer offer, systems, leadership and management. We have started on this road but find that our present structures simply get in the way. We need a single function to drive forward a single vision of customer service, not three mini housing departments. A single customer service environment will allow us to extend what we're doing well across the whole company and stop doing the things that are dragging customer service down. We need operating systems which are aligned to what our customers want and which do not waste energy negotiating the interfaces between different companies. We need boards which champion and challenge customer experience at a local level not spend their time on company bureaucracy and regulation. We need our people to follow a single vision and not waste effort making sense of a multiple identity.

Money is the fuel for realising our ambitions. We can save over £1 million every year by simplifying our legal and operational structure. This is equivalent to 10 new homes or 400 new kitchens every year, or 25 additional customer facing staff. We operate in a world of increasing risk especially as we seek to grow using less public money and as lenders take a much stricter approach to our obligations to them. Our current structures frustrate rather than enable growth and exacerbate risk. We have to devise tortuous inter-company arrangements to support growth in Fortunegate's and KHT's patches. We have a complex portfolio of loans which carry significant risk of covenant breach, much of which is avoidable with a simpler legal structure.

Growth is possible in the period ahead despite harsh funding conditions. Affordable homes and solutions for failing housing stock are needed. The organisations that will succeed in this environment are those which excel at customer service, which are financially robust, and which can find innovative solutions to intractable problems. However, they will also be the ones which recognise that there has been a decisive shift away from centralised decision-making and which can most effectively manage local relationships. A devolved structure is therefore crucial but our present one doesn't add as much value as it could. The Boards of subsidiary, regulated companies necessarily devote much of their time to company stuff. Agendas tend to be dominated by accounts, policies, regulatory requirements, and relatively little time is spent on the customer or on relationship management. We need instead Local Boards which are freed up from company administration and which can focus exclusively on customer service and on relationships with local authorities and other local stakeholders.

In summary, we believe that the new legal and governance structures will allow us to:

- Make residents the focus of everything we do;
- Empower residents to be at the heart of the business, scrutinising our operations and services;
- Improve internal and external communications – establishing a 'single voice' for the group;
- Speed up, informed and more consistent decision making; and
- Improve value for money in governance.