



**Executive**  
15<sup>th</sup> January 2007

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

For Action

Wards Affected:  
ALL

**Proposed Changes to Fortunegate Community Housing's  
Board**

Forward Plan Ref: H&CC-06/07-19

**1.0 Summary**

- 1.1 This report concerns proposed changes to the board of Fortunegate Community Housing and seeks members' agreement to an immediate change to the quorum for board meetings and agreement in principle to further subsequent changes to the board's size and membership.

**2.0 Recommendations**

- 2.1 That members note the request from Fortunegate Community Housing (Fortunegate) to agree to changes to the quorum, size and composition of their board.
- 2.2 That members agree to an immediate change to the quorum, to comprise three members for all forms of business and decisions by the board, provided at least one is an independent member and at least one other is either a council or resident member.
- 2.3 That members agree in principle to further changes to the board, to take effect from June 2007, providing all existing Church End tenants have been rehoused in their new homes, as follows:
- (i) that the board size be reduced from 18 to 12 directors;
  - (ii) that the council's representation be reduced to two directors;

- (iii) that residents representation be reduced to five members, being still 40% of the smaller board;
- (iv) that residents' representation be widened to include tenants outside of the Church End and Roundwood estate, provided the residents of these two estates maintain their representation broadly in line with the proportion they form of Fortunegate's total stock in the borough;
- (v) that residents are consulted and their views taken into account by the board before these changes are finalised;
- (vi) that independent members representation be maintained at five; and
- (vii) that there be no Catalyst directors on the Fortunegate board.

2.4 That members give authority to the Director of Housing and Community Care to agree detailed changes, following the above principles, including any necessary changes to Fortunegate's Memorandum and Articles of Association and any other legal documentation required, having taken advice from the Borough Solicitor.

### **3.0 Detail**

3.1 At its meeting on 13<sup>th</sup> February 2006, the Executive received a report: "Proposed Changes to Fortunegate Community Housing" (Fortunegate). The Executive agreed to Fortunegate taking over Ealing Family Housing (EFHA) and Keystart housing stock within the borough and becoming the borough-wide housing association for Brent, within the Catalyst Housing Group.

3.2 These changes have now taken place as part of a wider restructuring of Catalyst Housing Group, which has rationalised its housing stock on a geographical basis. On 1<sup>st</sup> April 2006, just over 300 properties formerly owned by EFHA and Keystart transferred to Fortunegate. Thus Fortunegate is no longer confined to the Church End locality, but now operates borough-wide and is the sole 'arm' of Catalyst Housing Group in Brent. Any new Catalyst developments in the borough will pass into Fortunegate's ownership. This is a more logical way for Catalyst to work, previously having had three subsidiaries operating in the borough. But importantly it also assists the long term sustainability of Fortunegate. Otherwise Fortunegate would be faced with a slow decline as the stock of homes at Church End and Roundwood are depleted by preserved right-to-buy disposals.

3.3 The report in February 2006 also forewarned that Fortunegate would subsequently propose changes to the composition of their board. Fortunegate's Managing Director wrote to the council's Assistant Director (Strategy and Regeneration) on 19<sup>th</sup> June 2006, asking the council to consider proposals as set out in the following extract from a report to Fortunegate's board on 11<sup>th</sup> May 2006:

- 1) *A move away from the present "constituency" approach, whereby one member from each of the four groups on the Board (Council, Catalyst*

*HG, Local and Independent Members) must be present for a quorum to be achieved.*

- 2) The removal of the requirement for an “enhanced” quorum before certain types of decision can be made.*
- 3) A reduction in the size of the Board from 18 to 12 places to bring Fortunegate in line with other housing associations and with other companies in the Group.*
- 4) A reduction in the number of Council members from 3 to 1 (this would be in line with the situation at Hillside Housing at Stonebridge – also a stock transfer organisation).*
- 5) Residents to continue to form 40% of the Board: this would mean 5 resident members rather than 7 as at present.*
- 6) Resident members would continue to be elected as at present. Consultation would be carried out with all residents to agree on estate representation.*
- 7) The six remaining members to be recruited as independent members in the usual way.*

*Members are asked to **APPROVE** the above proposals as a basis for taking forward negotiations with the Council.*

- 3.4 The general aims of the proposed changes are to streamline the working of the board, to bring it into line with other boards in the Catalyst group and in line with Housing Corporation guidance; and to open out resident representation across the borough.
- 3.5 The Fortunegate board has at times been hampered in carrying out its business by its constituency-based quorum arrangement and this is the most urgent change being sought. The board is currently made up of 18 directors in total, drawn from four ‘constituencies’ as follows:
- seven local (resident) directors,
  - five independent directors,
  - three council directors and
  - three Catalyst directors.
- A ‘normal’ quorum is four, of which one must be a resident, one a council member and one an independent.
- 3.6 This has presented problems on occasion because council members in particular, who have heavy commitments with other meetings, have been unable to attend. Meetings in February and April 2006 had to be cancelled because council members were not available. Fortunegate propose that the quorum should be reduced to three directors.
- 3.7 Certain specific matters require special approval of members or directors, requiring an “enhanced” quorum of four residents, two independents and two council members. Given the problems with achieving the ‘normal’ quorum referred to above, this ‘enhanced’ quorum requirement has caused particular difficulties when major policy issues need to be resolved and Fortunegate proposes that there be no ‘enhanced’ quorum requirement for any type of

decision.

- 3.8 A board size of 18 is large and is considered unwieldy. Other Catalyst boards have 12 members only and Fortunegate wish to reduce their board to this number. There is no specific time frame proposed for this, but Fortunegate wish to move ahead with this once the views of the council and residents are known.
- 3.9 Fortunegate's initial proposal reduced residents' representation from seven to five members, in proportion to the smaller size of the board (40%). Council membership was to be reduced from three to one representative, while independents were to be increased from five to six.
- 3.10 Although some streamlining of the board is desirable there was concern that the changes proposed went too far, in particular the change in balance away from local representation in terms of residents and council members, towards independent members. A meeting was arranged to discuss these concerns, which included amongst others the lead member for housing and the chair of Fortunegate's board. On 5<sup>th</sup> December 2006, Fortunegate's Managing Director wrote to the council's Project Director (Regeneration) agreeing to amend their proposals as follows:
- The board will be reduced in size from 18 to 12 members
  - Residents would reduce from seven to five
  - Council members would reduce from three to two
  - Independents would remain at five.
  - There will be no Catalyst members, so the Catalyst 'constituency' will no longer exist.
  - The quorum would be three members, one of whom must be a resident and one an independent.
  - There is no special form of quorum required for certain types of business and the 'normal' quorum being sufficient for all board decisions.
- 3.11 Fortunegate has asked that the changes to the quorum be agreed as soon as possible because this has the most impact on their business efficiency. Fortunegate must be properly governed and managed and clearly cannot afford to have decisions delayed because of problems of attendance by board members. This is particularly important at times of rapid development and change, as is clearly happening at Fortunegate now. Also the Housing Corporation is likely to mark down its scoring of Fortunegate's governance, in its regular assessments of performance, if this continues.
- 3.12 Officers recommend that the Executive agree to there being a quorum requirement of three directors, at least one of whom must be an independent (in line with Housing Corporation guidelines) and at least one from either of the other two constituencies (i.e. the council and the local residents). This follows the principle of local to independent member balance, which we have sought to maintain in board membership. It is further recommended that this

be sufficient for all types of business and that this may be implemented as soon as the Fortunegate board decides.

- 3.13 The changes to the size of the board and all the other proposed changes which flow from that are not requested immediately. Fortunegate would like the council's agreement in principle, before consulting residents on changes to their representation.
- 3.14 In agreeing to the changes to the status of Fortunegate at the Executive meeting in February, members added a further resolution as follows:  
*(iii) that it be noted that although no changes to the Fortunegate Board are being considered at this meeting, commitment to only support changes which do not adversely affect the interests of the tenants or diminish their influence in the development of Church End and Roundwood estates, until such time as the redevelopment is completed, be reaffirmed.*
- 3.15 Members may take the view that further changes to the board membership should not occur until the redevelopment is completed at March 2008. However, Fortunegate has pointed out that the last properties to be built will be for sale (as agreed) and that the last Church End tenant will be rehoused in their new home much earlier than that, by June 2007. They request that this be treated as the date at which proposed changes to the board be implemented. Officers consider that this meets the spirit of the resolution passed by the Executive in February 2006. It is recommended that the Executive gives its approval in principle to the changes set out under paragraph 3.10 and 3.12 above to take effect from June 2007. It is further recommended that the Director of Housing and Community Care be given authority to agree to these changes in detail and in particular to agree to any changes to the Memorandum and Articles of Association and any other legal documents governing Fortunegate as may be required.

#### **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 potential change to the quorum for board meetings and the changes to the size and membership of the board, including the number of council representatives and the involvement of residents from outside of Church End and Roundwood will require amendments to the Articles of Association and possibly other legal documents (such as the Memorandum of Association and the Procedure Agreement) which make up the constitution of Fortunegate Community Housing.

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.

### **Background Papers**

“The Future Role of Fortunegate in the Catalyst Housing Group” – report to FCH board 29 September 2006.

“Governance Review” – report to FCH board 11 May 2006.

“Governance Review” – report to FCH board 23 November 2006.

Memorandum and Articles of Association of Fortunegate Community Housing

“Making groups work” Regulatory Code Good Practice Note 11 – Housing Corporation, November 2004.

### **Contact Officers**

Paul McConnell, Housing & Community Care, Tel.:020 8937 2269.

Email: [paul.mcconnell@brent.gov.uk](mailto:paul.mcconnell@brent.gov.uk)

Martin Cheeseman

Director of Housing and Community Care