

WIRRAL COUNCIL

CABINET 4 JUNE 2015

SUBJECT:	BEECHWOOD AND BALLANTYNE COMMUNITY HOUSING ASSOCIATION TRANSFER OF ENGAGEMENTS TO LIVERPOOL HOUSING TRUST
WARD/S AFFECTED:	BIDSTON AND ST JAMES
REPORT OF:	STRATEGIC DIRECTOR REGENERATION AND ENVIRONMENT
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR GEORGE DAVIES
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Wirral Council, as a Member of Beechwood and Ballantyne Community Housing Association Ltd (BBCHAs), of proposed changes to undertake a Transfer of Engagements (ToE) of BBCHA to Liverpool Housing Trust (LHT). The report seeks support at the Special General Meeting to agree to a ToE.
- 1.2 BBCHA has been undertaking a review of its current arrangements since May 2014. In particular BBCHA have been considering how best to mitigate the key risks it is exposed to and ensure the long term protection of services and investment in the Beechwood and Ballantyne neighbourhoods in an increasingly hostile environment.
- 1.3 The BBCHA Board considered a range of possible options for its future and agreed in October 2014 that the best option was to enter into formal negotiations with LHT for a possible transfer. The BBCHA Board presented a detailed 'ask' to LHT, focussed on improving services and homes in Beechwood Ballantyne, and during negotiations a detailed business case was developed.
- 1.4 Formal consultation was undertaken with BBCHA tenants from 26th March 2015 for a period of 6 weeks. The resulting feedback showed that the majority of tenants are supportive of the ToE on the understanding that services they receive are not compromised.
- 1.5 Consultation with other key stakeholders including the Homes and Communities Agency (HCA) and funders has been completed with no barriers to progressing the transfer being raised. The BBCHA Board undertook a due diligence exercise and no areas of concern in terms of LHT was reported. The BBCHA Board has also received independent legal advice and support from Trowers and Hamlins and they have confirmed that due process was followed.

1.6 In order to progress the ToE BBCHA shareholders will consider the ToE at a Special General Meeting (SGM). Shareholders include Wirral Borough Council, Symphony Housing Group and a number of tenant and independent individuals. This SGM will only be called when the council have made a decision about supporting the ToE.

2.0 BACKGROUND AND KEY ISSUES

2.1 In 2005 the Council's housing stock transferred to Beechwood and Ballantyne Community Housing Association Ltd (BBCHA). Since then they have met the promises made to tenants at transfer and continued to work in partnership with the Council both on a formal constitutional basis and in informal relationships with many departments across the Council. In April 2011 BBCHA became part of the Symphony Housing Group via the amalgamation of the Contour and Vicinity Housing Groups. Symphony Housing Group is now one of the largest social housing providers in the North West and is united as a federated partnership. Member organisations include; Atrium, Beechwood Ballantyne Community Housing Association, Cobalt Housing, Contour Homes, Contour Property Services, Hyndburn Homes, Hyndburn Homes Repairs, Liverpool Housing Trust (LHT), Peak Valley Housing Association and Ribble Valley Homes.

2.2 BBCHA is now ten years old and over that time has invested around £20m in the area it is responsible for. The BBCHA Board felt that now was a good time to begin exploring the future options for BBCHA because the organisation is in a relatively strong position. BBCHA is currently meeting the expectations of customers and consistently delivers high standards of service. It is compliant with funder loan covenants and is meeting the expectations of the HCA economic and consumer standards. BBCHA is working towards the delivery of the value for money agenda and has restructured and streamlined all its core services introducing more efficiency and better performance across the organisation but is still unable to deliver the efficiencies of scale a larger organisation can.

2.3 The BBCHA Board's ambitions are much greater than the current organisations financial capacity will allow. The Board would very much like to build more new homes on the estate and address key issues including brown field sites and derelict buildings. It would also like to maintain the close relationship with Wirral Borough Council and develop a closer one with other partners in health and employment to benefit the community. The Board believes that these ambitions are unlikely to be delivered without a different arrangement being in place.

2.4 The BBCHA Board considered the significant risks the association is exposed to through its current operating arrangements. These risks were identified as:

- An increasingly hostile financial environment which is placing income under pressure and during 2013 this was particularly acute with the introduction of the first phase of welfare reforms and the impact this had on tenancy turnover, which directly increased costs by £200,000 (relating to 100 homes becoming empty and the costs associated with reletting them).
- Restrictive bank loan covenants which limit the ability to invest in homes as planned. In 2013-14 investment spends had to be reduced by £180,000 to ensure there was sufficient headroom in place for loan compliance. This

headroom was significantly eroded due to the rapid increase in empty homes and the only option was to reduce investment spend.

- The 2014-15 investment plan had to be condensed into the final four months of the year to help BBCHA avoid a repeat of the previous year's problems. This decision helped reduce BBCHA's risk of potential loan breaches and also ensured the organisation was not committed to financial spend it could not pull out of if necessary.
- Pressure to deliver front line services and also deliver all the corporate and governance requirements of an independent organisation within current resources. The challenge for BBCHA is to meet all the same operational and regulatory requirements that a larger registered provider has to meet but without the specialist staffing resources to do so.
- BBCHA generates rental income from 823 homes. When compared to a much larger organisation BBCHA spends a higher proportion of its overall income on things like corporate services (i.e. human resources, ICT systems and infrastructure, internal audit, regulatory and financial services). This essentially means less money is available to spend on things that are important to tenants.
- Becoming more flexible, creative and agile to respond to changing customer needs as well as meeting government and regulator expectations. Within BBCHA there is little flexibility to respond to changing demands or requirements and simultaneously maintain an effective front line service

2.5 Given all these risks the BBCHA Board felt that it was better to consider the future options from a relatively strong position than wait for a future time when the position of the organisation is likely to be much weaker. The Board therefore agreed that they needed to find a way of delivering what is required, reduce the likelihood of risks materialising and deliver better value for money for customers. The Board with the support of an independent critical friend, David Tolson Partnership, began the process to consider all the viable options for BBCHA's future.

2.6 To help the Board determine a possible future they considered five options. These were:

1. BBCHA stays as it is
2. BBCHA increases its stock holdings
3. BBCHA forges formal partnership arrangements with LHT
4. BBCHA transfers to LHT and BBCHA ceases to exist as a separate entity
5. BBCHA demerges from Symphony and seeks another organisation to join

2.7 The Board reviewed these options and concluded that options 1 and 5 could be discounted immediately as they either did not address the risks outlined or could, in fact, create further risks to BBCHA. The options that had the strongest support were option 2, 3 and 4. In order to assess each preferred option the BBCHA Board developed a set of criteria on which to assess each option. The criteria to be met included each option securing the need to:

- Retain community identity and build upon the legacy and improve upon it
- Retain local knowledge about the area

- Deliver better value for money for tenants
- Deliver a sustainable future for the area
- Increase investment or attract new investment into the area
- Deliver beyond the bricks and mortar
- Build a strategy for the future rather than responding to regulation
- Remove key risks
- Control over regulatory requirements (so it is managed and not managing us)

- 2.8 Following an assessment of all the options the BBCHA Board agreed the only viable option to pursue was option 4 to pursue a transfer with LHT. If this was not possible the Board also agreed to pursue the less favourable option of 3 to form a formal partnership with LHT.
- 2.9 Throughout the discussions about the options the BBCHA Board considered how best to approach any potential transfer of engagements and who indeed would be a preferred partner. BBCHA have always had a close relationship with LHT which has worked to the benefit of both organisations. The Beechwood Ballantyne EMB chose the LHT Group in a competitive process back in 2005 and since then this relationship has been cemented. Most recently, BBCHA signed a service level agreement with LHT to handle all tenant telephone enquiries which has resulted in improved service standards and reduced BBCHA's direct costs of running services. LHT have recently funded and built 18 new homes on the Beechwood estate and are building a further 11 homes in 2015 on a long standing derelict site offering tenants more housing choices. These homes are managed by BBCHA but owned by LHT. The Board felt that these initiatives clearly demonstrate the long standing commitment LHT have offered BBCHA and its tenants through investment and service provision.
- 2.10 LHT themselves have a physical presence on the Wirral with 489 homes they own and provide services to and over the years have developed a number of new build schemes within the Wirral area. LHT see the clear benefits of the possible transfer as it would change how they operate in the Borough if they were to become the fourth largest landlord on Wirral. They are already members of the Property Pool Plus Choice Based Lettings arrangements and are keen to build upon the existing close relationships they have with Council officers and further develop relationships with Health and the Care Commissioning Group's for Wirral. LHT can see the benefit of having a closer relationship with BBCHA for their tenants on the Wirral and the close geographical connection is another reason why BBCHA are a logical organisation to join with.
- 2.11 A further consideration was the fact that LHT are members of the same Group and therefore the risks were felt to be minimised in any negotiation or transfer talks. Both BBCHA and LHT use the same computerised systems and processes for the running of housing management and property maintenance services. The same policies and procedures are in place for financial and treasury management and staff benefit from the same terms and conditions including pension arrangements. These factors reduce the potential risk of any transfer impacting negatively on service delivery and maximise the ability to realise benefits and minimise costs associated with a transfer. Because of all this, the Board decided not to approach any other partner to explore future options for BBCHA.

3.0 BBCHA proposal

- 3.1 The decision to enter negotiations and transfer talks with LHT was agreed by the BBCHA Board in October 2014 following the approval of a set of specific commitments they would want delivered by LHT if the option to transfer was pursued. A formal approach was made by the BBCHA Board and considered by LHT's Board at their November 2014 meeting and they agreed to enter formal negotiations.
- 3.2 The BBCHA Board set up a formal Negotiation Panel consisting of independent and tenant Board Members to work with officers and their independent advisor (David Tolson Partnership) to begin discussions of how the key commitments would be delivered and any added benefits to customers and the BBCHA neighbourhoods. Four specific commitments were put forward in the form of an 'ask' of LHT namely:

Ask 1: To provide high quality homes to our tenants now and in the future.

Essentially BBCHA is looking for at least the same level of investment in BBCHA homes over 30 years as if BBCHA was still the landlord. Stock investment plans contained in BBCHA 30 year plan will be mirrored in LHT's future plans.

Ask 2: Set up and deliver a Master Plan for the Beechwood Ballantyne area.

A plan for the future including proposals to address specific areas that BBCHA is unable to financially resource and resolve in relation to derelict land on the estate in order to provide more new homes (including sites not in BBCHA ownership currently; especially derelict pub sites), carry out option appraisals of garage sites leading to possible demolition and/or redevelopment, creating plans for the management and improvement of open sites, alley ways, shop frontage and commercial properties, exploring options to provide alternative accommodation options including supported housing for specific client groups not serviced locally e.g. adult's with learning difficulties and set up partnership projects the community wish to be delivered (including social and economic regeneration projects).

Ask 3: A service proposal that ensures high quality local services are delivered that demonstrate value for money to stakeholders. The offer must provide a clear business case that demonstrates that becoming part of LHT clearly delivers better value for money to the community and takes services to another level. Any proposal must maintain, improve and enhance the service standards currently delivered by BBCHA to its customers. Stock rationalisation needs to be part of the consideration in order to develop a lead role for all Wirral homes held by Symphony. This raises the profile of the area and landlord with key strategic partners including Wirral Borough Council.

Ask 4: Put in place an involvement and engagement strategy to ensure the community are engaged with monitoring performance and service improvements. BBCHA want the local community to decide how they want to be engaged with. They would like a model that would ensure that customers are engaged with reviewing the performance of services and monitoring standards of service on the estate as well as overseeing the delivery of all the commitments post-transfer.

4.0 BUSINESS CASE

4.1 A detailed business case was considered and approved in February 2015 by BBCHA's Board. Members can view the full business case in the Council Web Library at <http://democracy.wirral.gov.uk/ecCatDisplay.aspx?bcr=1&sch=doc>. The Board concluded that the business case was compelling enough to progress the ToE subject to tenant consultation.

4.2 The headline benefits outlined in the Business Case that would be realised if the ToE was pursued include:

- Between 20 to 25 new affordable homes built over the next 3 years, including smaller homes to improve the choices available to customers.
- BBCHA loan will be repaid with savings in interest and repayments totalling £455,000 per annum for 8 years. This money will be invested in homes and services.
- Development and delivery of a Neighbourhood Master Plan following consultation with customers. It is predicted that tenants will raise the need to address things like antisocial behaviour, improved play areas for children, improved employment opportunities for local people and tackling the derelict pub sites and garages across the neighbourhood.
- In order to align rent increase dates LHT's Board will be asked in December 2015 to consider not increasing rents for Beechwood Ballantyne in May 2016, the next increase being due in April 2017. This would mean that customers would not pay an additional £90,500 in 2015-2016 in rent increase charges - no rent increase for 11 months.
- Additional stock investment of £660,000 would be allocated over the next 5 years. This could address tenant demand for things like an upgrade to downstairs toilets, more energy efficiency works etc.

4.3 The Business Case also outlines what the position of BBCHA would be if a ToE was not pursued. The headline position of BBCHA includes:

- 30 year investment plan delivered but BBCHA would have to prioritise what additional areas to invest in, based on consultation and available resources each year.
- No new homes would be built by BBCHA alone would need to work in partnership with other providers.
- Repayment of loan continues and existing loan restrictions still apply. Restrictions remain on the level of investment that can be made to homes based on the loan requirements and the need to give financial headroom limiting the ability to use surpluses fully. However, year on year as the loan is repaid the position becomes more positive.
- In consultation with customers BBCHA would need to choose what is a priority and develop a longer-term plan to tackle environmental issues and improve the

landscape. However, this could take over 5 to 10 years as finances become available.

- BBCHA would require additional staffing and support to a cost of £150k per annum to reduce the organisations exposure to risks of failing to comply with regulation and legislation requirements

5.0 BBCHA TENANT AND STAKEHOLDER CONSULTATION

- 5.1 As part of the process for considering a transfer of engagements to LHT, BBCHA undertook a formal 6 week consultation process involving a wide range of stakeholders. The consultation process commenced formally on 26th March and ran until 11th May 2015. The process adopted included a number of methods to encourage participation from stakeholders including formal letters, meetings with Wirral Borough Council and shareholders, open events for the public and updates on progress being posted on BBCHA's website, tenant's newsletter, twitter and Facebook. This process followed the requirements of the Homes and Communities Agency and was shaped based on advice sought from Trowers and Hamlins (BBCHA's legal advisors).
- 5.2 Members should note however prior to the formal consultation with stakeholders a range of information advising of the up to date negotiations and activity of BBCHA was undertaken, this is detailed within Appendix 1 of this report.
- 5.3 134 contacts were made to BBCHA asking about the transfer (121 of these were contacts from tenants). Some of these included repeat contact from the same stakeholders. Those who contacted BBCHA were predominately tenants but we also had contact from community groups, commercial leaseholders and residents. This gives an overall response rate from tenants of 15% (based on BBCHA's 823 homes).
- 5.4 In the main tenants wanted to know how services would change and reassurance was given that the transfer would focus on retaining the good standard of services being delivered by BBCHA and focus on providing additional services that BBCHA are unable to provide. LHT have given reassurances that the transfer would be delivered in a manner that ensures service continuity and minimal disruption for tenants. This will be supported by the commitment to retain the local office on Beechwood and to keep the contact phone number the same from transfer with a gradual phasing in of new phone number in time. The most common questions or queries raised by stakeholders and the action to respond to these issues is outlined below.

What common questions stakeholders asked about	Number	% of all BBCHA tenants who made contact	Response provided
Overall no concerns as long as services can be guaranteed to be maintained and no changes to tenancy rights take place	98(7 are not tenants)	76%	<ul style="list-style-type: none"> • Right to Buy and Right to Acquire confirmed is protected • Repairs service confirmed will be of the same standard • Home support service will be retained

			<ul style="list-style-type: none"> • Local office retained • No changes to tenancy agreement will take place • No increase in rent charges other than outlined in tenancy agreement • Will still address ASB • Shops will not be shut • Will continue investing in the area including building more homes and addressing issues like vacant land and play areas
General enquiry about why the transfer was being considered	24 (3 non-tenants)	17%	<ul style="list-style-type: none"> • Provided information on why LHT chosen • Provided information about the Boards decision and the risks BBCHA are exposed to • Provided information on potential benefits • Reiterated information previously sent out
Opposed to transfer including being unhappy about consultation process	13 (4 non-tenants)	7%	<ul style="list-style-type: none"> • Provided additional information including Business case Summary and offered discussions with officers • Provided details about consultation process being followed • Number of comments did not give specific reasons why opposed so general information given

* The percentage of responses received has been divided by the total number of contacts made by tenants to BBCHA.

5.5 Before the consultation process commenced tenants reported to BBCHA that a petition had been started by a tenant shareholder who opposed the transfer. The Acting Lead Officer of BBCHA met with the person organising the petition and during this meeting asked them to engage in the consultation process and to voice the concerns directly to officers so that issues could be addressed and answered. No petition was submitted to BBCHA for consideration and no specific concerns were submitted other than opposition to any transfer. At the time of writing this report no petition has been received by the Council.

5.6 A Shareholder meeting was arranged on 24th April to discuss the Business Case in more detail. Of the 6 shareholders who attended the meeting 4 were tenants. The main questions raised included:

Questions/Comments	Answers
The need to retain the identity of the estate and the legacy of investment already made	Reassurance that LHT will deliver a local neighbourhood service run from the retained local office on Beechwood

Why has LHT been selected? Tenants should have been given a choice.	Outlined relationship with LHT past and present and the proven service history in the area. The need to minimise the risks and costs associated with entering into transfer talks is less with LHT as part of the same Housing Group. Any move to approach another partner would require a demerger from Symphony Housing Group.
Concern that this was taking place during election time and impact on the ability of people to lobby councillors	Confirmed WBC representation on the BBCHA Board including councillors and their involvement in developing the decision reached so far and the ongoing dialogue with ward and local councillors via the WBC representative on the BBCHA Board

5.7 The next steps to be concluded following the consultation period are:

- a) Special General Meeting (SGM) of shareholders will be called following Cabinet and Council approval. This will be based on a minimum of 14 days' notice and this meeting will involve a vote on the transfer of engagements
- b) Confirmatory SGM will be called no less than 14 days after the first SGM.
- c) Homes and Community Agency RAC approval August 2015
- d) Funders approval August 2015
- e) Formal letter sent to all BBCHA tenants confirming the ToE taking place and the date for transfer and service arrangements in place
- f) Transfer of engagements completed and likely to be August 2015 (date dependant on approval of previous stages going through)

6. RELEVANT RISKS

- 6.1 If the transfer does not take place BBCHA would continue to provide services to customers. However, it is envisaged that maintaining services and the focus on improving them would become increasingly difficult. To address the risks identified BBCHA would need to increase its staffing resources in order to allow for the completion of a number of corporate functions it would result in an additional cost (up to £150,000 per annum, £700,000 over five years discounted) which would mean more pressure on front line service budgets and the ability to improve homes. The investment is therefore not to the benefit of customers but is to provide administration support, work on policies and performance, communications, and finance. Under this scenario, BBCHA would seek to renegotiate the current loan agreement after repaying a proportion of the outstanding loan but this would limit cash capacity and would result in an increase in interest costs.
- 6.2 If this transfer does not take place the risk is that BBCHA could be forced into a transfer at a later date. If this was to happen it is likely that this transfer would not be of BBCHA's choosing and would be undertaken from a weakened bargaining position resulting in fewer benefits for tenants than those secured in the current transfer proposal with LHT. This has been the experience of other small registered providers locally and nationally including Venture Housing.

- 6.2 If the transfer was to take place with LHT the risks are considered low in terms of ensuring future investment and service standards for customers. Due diligence has confirmed that LHT are a financially healthy organisation with more resources at its disposal to support the long term sustainability of the Beechwood and Ballantyne area than BBCHA has capacity for now and in the future.
- 6.3 WBC would no longer have a shareholding position through BBCHA and there would no longer be a BBCHA Board. However, LHT would become the 4th largest housing provider on the Wirral and as such would be a more influential partner with whom to work with in delivering Borough wide priorities.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 The Business Case includes a commitment to continue building partnership working with local organisations. The neighbourhood master planning exercise proposed in the Business Case includes the need to work collaboratively with a range of local organisations which would include voluntary, community and faith groups. These groups alongside tenants would be involved in influencing and shaping the longer terms plans for the area. The Business Case also outlines clearly the need to ask local people how they want to be involved in determining how the neighbourhood's performance is monitored and how the additional investment is spent in the area. Engaging with voluntary, community and faith groups in deciding what the area will look like would be an important part of this consultation process committed to by LHT.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 There are no direct resources, financial, It staffing or asset issues arising from this report. The majority of BBCHA staff share common terms and conditions with LHT including pensions. Member's attention is drawn however to the impacts that would affect BBCHA as an organisation and the staff currently employed by them as outlined below.
- 8.2 Those staff affected in BBCHA are protected under TUPE and a clear consultation and engagement process is in place to ensure a smooth transition to their new employer. It is not envisaged that any redundancies will be required as BBCHA has already streamlined all its services in the previous two years.
- 8.3 BBCHA share common ICT systems, payroll processes and housing management and maintenance arrangements. No issues are expected to materialise and no substantial costs will be incurred due to the transfer.

9.0 LEGAL IMPLICATIONS

- 9.1 The legal implications are set out in the main body of the report.

10.0 EQUALITIES IMPLICATIONS

- 10.1 The ToE of BBCHA does not relate to any services provided by the Council however the transfer in itself does not result in the reduction or removal of any services to the local community. The transfer focuses on maintaining current service provision and enhancing the services provided to tenants. Within the Business Case the

development and delivery of more services to support vulnerable households including providing specialist welfare advice service and Tenant Support is confirmed. It was therefore concluded that an Equality Analysis of the transfer was not merited or required.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 None.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 None.

13.0 RECOMMENDATION/S

13.1 Cabinet is recommended to:

- a. Agree to support the ToE of BBCHA to LHT.
- b. Authorise relevant Council officers to vote on the proposal (and associated matters) proposed and referred to in this report at the forthcoming BBCHA SGM.
- c. Refer this on 6th July 2015 to full Council.

14 REASON/S FOR RECOMMENDATION/S

14.1 That Wirral Council, as a Member of BBCHA, indicate their agreement to the proposed transfer of engagements to Liverpool Housing Trust.

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APPENDICES

Appendix 1 Consultation Report

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date