

**TO: COUNCIL
12 JULY 2017**

**BRACKNELL FOREST HOMES PROPOSED MERGER
Director of Adult Social Care, Health and Housing**

1 PURPOSE OF REPORT

- 1.1 To seek Council's agreement to amend the Bracknell Forest homes transfer agreement terms and rules to enable the merger of Bracknell Forest Homes with Housing Solutions Ltd.

2 EXECUTIVE SUMMARY

- 2.1. Bracknell Forest Homes is currently consulting all stakeholders on a proposed merger with Housing solutions (the large scale voluntary transfer registered provider of affordable housing in Maidenhead). For the merger to be able to proceed Bracknell Forest Council would have to agree to change three aspects of the transfer agreement and Bracknell Forest Homes rules that the Council entered into with Bracknell Forest Homes in 2008. These are to remove the community gateway provisions in the rules, to change the promise that shareholding in Bracknell Forest Homes is open to all residents and to amend the board membership policy. If the Council is minded to agree these changes a representative will be required to attend a special general meeting of Bracknell Forest Homes in August.

3 RECOMMENDATIONS

- 3.1 **That the requirement that shareholding should be open to residents of Bracknell Forest Homes properties be removed from the rules of the new amalgamated organisation;**
- 3.2 **That board membership rules for the new organisation allow Bracknell Forest Council to nominate a board member to be selected in line with the new organisation's selection policy; and**
- 3.3 **The community gateway provisions be removed from the rules of the new organisation.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 Bracknell Forest Homes (BFH) is proposing a merger with Housing solutions (HS). The merger is being sought so as to
- provide greater balance sheet strength
 - improve borrowing capacity
 - generate efficiency savings
 - provide greater resilience to further government policy changes and/or external economic factors
 - maximise strategic influence
 - be more competitive

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- enhance investment in new affordable homes.

4.2 For the merger to proceed there is a requirement for the Council to agree three changes to the rules of Bracknell Forest Homes as well as the transfer agreement. All other aspects of the transfer agreement will remain and will transfer to the new entity.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 There are no alternative options.

6 SUPPORTING INFORMATION

6.1 Members will be aware the Council transferred its housing stock to Bracknell Forest Homes (BFH) in 2008. The basis of the transfer was a transfer agreement setting out responsibilities of the Council and BFH. As BFH is pursuing a merger with HS there is a need for the Council to agree to some changes in the agreement if the merger is to proceed.

6.2 Since the transfer to BFH in 2008 the stock owned by the company has increased by 15% such that it now owns 6020 properties including 135 shared ownership leases and 1075 leaseholders. Customer satisfaction stands at 90%. HS received the housing stock in Maidenhead from the Royal Borough of Windsor and Maidenhead in 1995 and has grown by 35% since that date now owning 4,250 properties including 310 shared ownership leases, 750 bedspaces in care homes and managing/maintain 1500 properties for others. Customer satisfaction for HS services runs at 85%.

6.3 There are important synergies between the organisations that make a merger viable. They have shared visions, complimentary geography, commitment to partnership working with their host local authorities, good customer services and are of broadly equivalent size so that the new RSL would result from a merger of equals.

6.4 BFH believe that a merger of the two organisations would bring; greater balance sheet strength, improved borrowing capacity, enable efficiency savings to be generated, provide greater resilience to further government policy changes and/or external economic factors, maximise strategic influence, be more competitive and enhance investment in new affordable homes.

6.5 The merger is also being pursued now as both organisations believe it will enable them to better respond to the Government agenda on accelerating housing delivery as well as welfare reform.

6.6 BFH have stated that the merger will not directly impact on customers. Tenancy agreements and leases will be unaffected, rents will be unaffected as regulated by Government policy, service charges will remain unaffected. Offices will be maintained in both Bracknell and Maidenhead, with the main operational depot in Bracknell and the head office in Maidenhead. It is intended that the new organisation will have a new name and logo.

6.7 BFH have consulted their customers on the proposals. The consultation ran from 28/4 to 14/6/2017 and all customers of both organisations were written to and social

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media and consultation meetings were used as well. BFH received 330 responses of which:

- 41% were generally positive
- 43% had no view
- 16% were generally negative

- 6.8 The new merged organisation will require a new set of rules. The first aspect that requires change is the shareholding rights. BFH and housing solutions are proposing that shareholding is restricted to the board members. This represents a change from the current arrangements where BFC has a third voting rights. However, this change is likely to be directed by Government in the near future as Local Authority control and influence over LSVT housing associations is to be limited so that housing association expenditure can be removed from public sector borrowing. The proposal that shareholders will be limited to board members is a standard one in newer transfers.
- 6.9 The next proposed change is in relation to Local Authority nominees. Both BFC and RBWM will be able to nominate one board member each but selection will be based on skills and experience necessary on the board. All board members will be shareholders on a three year term with a maximum of nine years. The restriction of shareholding to board members will be different from the original rules that allowed shareholding to be open to residents and thus would require a change to the transfer agreement.
- 6.10 The original rules of BFH contained community gateway provisions so that if tenants of BFH expressed a desire to manage their own homes they could exercise that right. However, since 2008 there has been no appetite from residents to take over management of their homes and as such it is proposed that the transfer agreement is amended to remove that provision.
- 6.11 A copy of the proposed rules based on these changes are included at appendix A.
- 6.12 The proposed merger would take place by amalgamation under a statutory process. The new organisation would still be a charitable organisation registered with the Homes and communities agency. Both BFH and HS would hold special general meetings of shareholders proposing a special resolution to amalgamate and no less than 14 days later a subsequent special general meeting would be called to confirm the resolution.
- 6.13 The timescale for the proposed merger is for all consents to be in place by mid July 2017. The two Boards must then approve the business plan and business case with HS scheduled to do this on the 26 July and BFH on the 27 July. Special general meetings of BFH and HS to effect the changes are scheduled for 14 August and 30 August 2017. Subject to decisions at those meetings merger completion would take place on the 29 September 2017.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 There are no direct legal implications for Bracknell Forest Council arising from the proposals in this report

Borough Treasurer

- 7.2 There are no direct financial implications for Bracknell Forest Council arising from the proposals in this report.

Equalities Impact Assessment

- 7.3 Not applicable

Strategic Risk Management Issues

- 7.4 Not applicable

8 CONSULTATION

- 8.1 As mentioned in the body of the report consultation has taken place with all BFH customers.

Background Papers

Letters from BFH Interim Chief Executive to BFC Chief Executive including proposed rule changes

Contact for further information

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