

# Cheshire East Council

## Cabinet

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<b>Date of Meeting:</b>	6 <sup>th</sup> December 2016
<b>Report of:</b>	Frank Jordan – Executive Director of Place
<b>Subject/Title:</b>	Merger between Wulvern Housing and the Guinness Partnership
<b>Portfolio Holder:</b>	Councillor A. Arnold – Housing and Planning

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### 1. Report Summary

1.1 Wulvern Housing is one of Cheshire East's three Large Scale Voluntary Transfer Organisations (LSVTs) and was formed in 2003 through the transfer of housing stock from the former Crewe and Nantwich Borough Council.

1.2 Wulvern Housing employs around 200 people and has a turnover of £27 million. From their inception they have continued to grow and now own approximately 5,500 properties, which are predominantly within Cheshire East, and a smaller stock within Cheshire West and Chester.

1.3 As we are aware, the environment in which both Local Authorities and Registered Providers operate is challenging. Over the last year we have seen Registered Providers undergo a number of changes which have had significant implications for them and forced them to reconsider their long term business plans and also the way in which they operate.

1.4 Wulvern Housing's Board recognised that this strategic context was one that challenged their ability to continue to thrive in the same way they had done previously. The changes represented a substantial and adverse impact on their continued ability to develop new homes and improve existing services, and in this context Wulvern's Board took the decision to explore the potential of a merger.

1.5 Wulvern set out a number of criteria in which to select a partner, including but not exclusively their ability to help them to address:

- Housing need and develop homes in a low grant environment
- Support the ambitions of the high growth agenda for Crewe
- Building homes for sale
- Enabling them to provide high level customer services

1.6 Following a selection process, Wulvern selected Guinness Partnership due to their ability to meet the specified criteria whilst demonstrating similar objectives,

common values, a cultural fit and a shared commitment to customers and employees.

1.7 There are a number of identified benefits of the merger:

- Delivering new homes at a lower operating cost
- A better customer experience for more people
- More homes for Cheshire - targeting delivery of 1,000 homes between 2018 and 2023.
- A better employee experience and more career options
- Financial stability and resilience

1.8 Both parties are currently engaging with Stakeholders including customers in relation to the merger.

1.9 Local Authority support and HCA approval are now being sought. Wulvern are requesting that Cheshire East support the proposal, both in terms of the strategic and investment outcomes it will achieve. It has been requested that Cheshire East demonstrate their support through their nominated representative voting in favour of the proposal at the Wulvern Board Special General Meetings which will be held in December 2016 and January 2017, which will give our formal consent to the merger.

## **2. Recommendation**

2.1 Cabinet are recommended to endorse the proposed merger between Wulvern Housing and Guinness Partnership following reassurances that:

- Guinness are taking over all assets and liabilities by way of a Transfer of Engagement from Wulvern.
- A clear client management relationship can be achieved.
- There continues to be representation on the Board to represent the interests of the Cheshire area.

2.2 To delegate authority to the Executive Director of Place in consultation with the Portfolio Holder for Housing and Planning and Director of Legal Services and Monitoring Officer for any resulting action and to agree a set of service standards with Guinness in order to establish an effective monitoring arrangement.

## **3. Other Options Considered**

3.1 Cheshire East could withhold their support for the proposal, however the HCA as the appointed Regulator for social housing would make the ultimate decision, and would only take into consideration our reasoning for withholding support.

## **4. Reasons for Recommendation**

4.1 The housing agenda in which we are all operating is continually changing and evolving. Local Authorities and Registered Providers need to respond in order to

meet the needs of residents. Registered Providers have experienced significant changes which have forced them to reconsider their long term futures including mergers with larger Providers. In order for Wulvern to continue to operate and meet the needs of their existing and future customers they consider that a merger is the best option for their business, providing them with financial stability, resilience and opportunities for continued growth.

- 4.2 As a non-stock holding authority, Cheshire East relies on Registered Providers to manage the social housing sector, develop and purchase properties from developers as part of Section 106 agreements, and work with the authority to meet the needs of some of our most vulnerable residents. We have in essence come to rely heavily on Registered Providers to assist us to fulfil our statutory duties. In order for Registered Providers to continue to assist the Council to meet housing need they need to be in a strong position with the ability to continue to invest and grow within the sector. The merger between Wulvern and Guinness Partnership will provide these opportunities.

## **5. Background/Chronology**

- 5.1 Wulvern has followed a robust selection process and has resolved to seek approval from the Homes and Communities Agency to merge with Guinness Partnership, who are a large housing association, founded over 125 years ago. Guinness Partnership has 60,000 homes across England, of which 26,000 are in the North. They employ around 3,000 people and have a turnover of £370m.
- 5.2 Following the merger Cheshire East will have the largest concentration of stock for Guinness in a local authority area. Guinness's largest offices are in London and Greater Manchester and, following the merger, the plan is to retain the office currently owned by Wulvern at Electra Way, Crewe. In addition to its housing services, Guinness operates a care business providing domiciliary care and support services.
- 5.3 Wulvern has provided a summary of the business case for the merger between themselves and Guinness Partnership. It provides details of the benefits of the merger, the current status, details in relation to governance and next steps, and requests support from Cheshire East.
- 5.4 Cheshire East has considered the implications of a merger, including:
- In 2003 Crewe and Nantwich transferred their stock to Wulvern which was underpinned by a legal Transfer agreement. The agreement sets out the covenants, conditions and other obligations which were to be observed and performed by Wulvern. In merging with Guinness Partnership, Wulvern would dissolve having first transferred all of its assets, obligations and liabilities, including the commitments in the LSVT Transfer agreement into Guinness. This means that all elements of the Transfer agreement would be honoured by Guinness.
  - Cheshire East currently has just under 7,000 applicants on the social housing waiting list and relies on Registered Providers to develop and deliver affordable rented provision. The merger with Guinness would provide

financial stability and strength and would enable them to invest in the delivery of 1,000 new homes between 2018 and 2023. This would include some rental provision to assist us in not only assisting those on the waiting list to access housing but to also help us to fulfil our statutory homelessness duties.

- Contributing towards our ambitions for regeneration in Crewe – Wulvern are the largest stock holding Registered Provider in the Crewe area and through the merger they can work with the Council to achieve our goal. They will look to regenerate areas of Crewe, improving the homes, diversifying tenure and addressing the estate's past reputational issues and, in so doing benefit the life chances of residents.
- Cheshire East welcome the fact that Guinness will be retaining the workforce and offices within Crewe as this is recognised as significant contribution towards the local economy and local supply chain.

## **6. Wards Affected and Local Ward Members**

### **6.1 All Wards**

## **7. Implications of Recommendation**

### **7.1. Policy Implications**

7.1.1 The housing offer in Cheshire East is fundamental to the wellbeing and prosperity of the Borough, contributing towards the quality of Place. There are direct connections between the quality of the housing stock and health, educational attainment, carbon reduction and care for older people. Providing sufficient affordable housing of good quality is essential to maintaining economic growth and vitality. Cheshire East relies very heavily on Registered Providers to deliver and maintain good quality social housing to meet the diverse housing needs of our communities. We need to ensure that they have the capacity and ability to deliver this.

7.1.2 Housing is intrinsically connected to a range of strategic priorities emanating from national directives and Cheshire East's strategic and service initiatives including the Local Plan Core Strategy, Cheshire East's Business Plan and the Housing Strategy.

### **7.2 Legal Implications**

7.2.1 In order to protect Cheshire East's interests in relation to the Stock Transfer Agreement and other obligations, consideration had to be given to all the potential implications of the proposed merger. These relate to right to buy receipts, disposal of assets, nomination agreements and representation on the Board.

7.2.2 Wulvern have stated that it would be appropriate to create a combined organisation by effecting a Transfer of Engagements of Wulvern Housing

Limited into Guinness. This would mean that Wulvern Housing would dissolve and its assets and liabilities, including the commitments in the local authority transfer agreement along with all other existing contracts, transfer into Guinness. Guinness would therefore honour the commitments made within the original Sale Contract and Transfer agreement and also under any other contractual or lease agreements between Cheshire East and Wulvern.

- 7.2.3 Part of the merger would mean that Wulvern adopt the Guinness governance model (Committee structure, and Board and Committee Terms of Reference) for the combined organisation. This would mean that they will appoint one Wulvern Board member to the main Guinness Board, and appoint a number of Wulvern Board members to relevant Guinness Committees as vacancies and skills matches allow. It is felt that this will enhance their shared understanding of the combined business and help provide assurance to Wulvern that their legacy and Guinness's commitments will be protected. Cheshire East's nominated representative will not be guaranteed a place on the new Board and therefore reassurances will be required that there will continue to be a representative on the Board who will represent the interests of the Cheshire area.

### **7.3 Financial Implications**

- 7.3.1 Right to Buy (RTB) receipts are received annually by Cheshire East Council from the three Registered Providers – Peaks & Plains Housing Trust, Plus Dane Group and Wulvern Housing.
- 7.3.2 The RTB receipts are shared in accordance with the original transfer agreement, which sets out the duration and calculation of receipts under the terms of the merger. This continued commitment will pass to Guinness.

### **7.4 Equality Implications**

- 7.4.1 Wulvern has stated their commitment to continue to provide a high level of customer service for their existing customers and the benefits for future customers. These would have positive equality implications, ensuring that we have a housing offer to meet a range of needs, including homes for the elderly.

### **7.5 Rural Community Implications**

- 7.5.1 Wulvern has housing stock within our rural communities, however the proposal to merge with Guinness Partnership would provide them with the financial stability to meet their commitments to customers.

## **7.6 Human Resources Implications**

7.6.1 There are no HR implications for Cheshire East. Both Wulvern and Guinness have stated they are committed to providing a brilliant employee experience. A larger combined workforce provides more opportunities for employees, including:

- Career progression, secondments and development opportunities within a larger organisation, improving recruitment and retention.
- A wide range of training and development initiatives, reflecting investments in learning and development.
- A higher number of apprenticeships across a wider range of professions delivered within a structured programme.

## **7.7 Public Health Implications**

7.7.1 The provision of decent accommodation can have significant health benefits for residents. Poor housing can impact on a person's mental and physical health. Wulvern has committed to providing high quality provision.

## **7.8 Other Implications (Please Specify)**

7.8.1 None Identified.

## **8 Risk Management**

8.1 The risks to Cheshire East will depend on how the transfer to Guinness is authorised and implemented. The best case scenario for Cheshire East would be a transfer from Wulvern to Guinness of all existing liabilities, assets and obligations without the need for Guinness to enter into agreements directly with third parties to whom liabilities are owed. Such a transaction would place Guinness in the place of Wulvern and would have minimal risk to Cheshire East. If the other alternative is for Guinness to contract directly with third parties to pick up such liabilities or obligations then Cheshire East must ensure that it's due diligence procedures are robust so nothing is overlooked. The risks here are significantly greater.

### **Access to Information/Bibliography**

8.2 N/A

## **9 Contact Information**

Contact details for this report are as follows:

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