



Portfolio	Holder	Decision
<u>Making Session and date/time</u>		
29 th October 2014		
11am		

Item
2
Public

CHANGE IN CONSTITUTION/RULES - MERES AND MOSSES HOUSING ASSOCIATION

Responsible Officer

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1. Summary

- 1.1 Meres and Mosses Housing Association (MMHA) wishes to change its Rules in order to adopt new Association Rules, reflecting and taking account of changes to the National Housing Federation Model Rules ('NHF Model Rules') in 2011 and requires the consent of Shropshire Council to do this. Shropshire Council is a shareholder of MMHA and so has a vote on the Rules. The proposed new rules do not explicitly exclude Shropshire Council from continuing to be a shareholder at MMHA. However, the Council may wish to consider relinquishing its share which would be consistent with the earlier decision to give up its shareholding with SSHA. If Shropshire Council chooses to keep the share, it will just have the same merits as any other shareholder e.g. to attend AGM's etc as outlined in the Rules. Shropshire Council's formal consent is required for any Rule change under the terms of the transfer arrangement with MMHA. The Rule change means that there will no longer be reserved places on the MMHA Board for Council nominees. This report summarises the key issues and proposals.

2. Recommendations

- 2.1 That the Portfolio Holder for Planning, Housing and Commissioning (Central):
- (i) agrees to MMHA changing its Association Rules to enable it to meet the NHF Model Rules updated in 2011.
- 2.2 Reasons for decision: To allow for changes to the MMHA Rules to reflect changes in the NHF Model Rules.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The recommendations contained in this report are entirely neutral for Shropshire Council in terms of Human Rights, equalities, and environmental consequences. MMHA will be responsible for consultation associated with proposed changes to their Rules.

4. Financial Implications

4.1 There are no financial implications.

5. Background

5.1 MMHA was formed in 2007 to receive the large scale voluntary transfer (LSVT) of housing stock from North Shropshire District Council. At this time, the size and composition of the board was agreed and included in MMHA's constitution – its 'Rules'. It is not uncommon for housing associations, particularly those formed as part of a stock transfer, to review and revise their constitutions periodically, in response to changes in their own circumstances, regulatory change, good practice or a combination of the three.

5.2 MMHA forms part of the Shropshire Housing Group which also includes South Shropshire Housing Association which is undergoing similar changes with regard to its Board. Therefore, the approach is in line with the Group's requirements for clearer governance arrangements which reflect National Housing Federation standards.

5.3 MMHA wishes to make changes to its Rules to reflect changes to the NHF Model Rules which were updated in 2011. The main changes to the Model Rules are explained (by NHF) as follows:

- All references to the percentage of tenant shareholders and tenants on boards of housing associations have been removed. It is a matter for individual associations to comply with their own policies and the relevant law.
- A redefinition of the key functions of the board, now in line with the 2010 National Housing Federation Code of Governance (part D)
- Clarity on the term of office and election process to the board (part D)
- Clarity on the election of the Chair (part E)
- A definition of social housing added (part G15.19)
- Changes to optional clauses and addition of some new optional clauses

5.4 The most significant changes in the proposed MMHA Rules (compared with MMHA's current Rules), which are largely based on the changes to the Model Rules, are:

- (a) **Size & composition of the Board** –there is now no provision for different constituent groups (e.g. tenants, councillors etc.) and all the associated references to the different ways of appointing and removing different 'types' of board members have been removed.
- (b) **Terms of Office** – there are specific clauses in the 2011 NHF model rules which refer to maximum terms of office (see D12-15) which are not in the 2005 version (and so not in MMHA's current Rules). These new clauses have been included in the proposed new Rules
- (c) **Shareholding** – provision for an open shareholding (i.e. shareholding not restricted to board members) remains in place following the consultation with shareholders across MMHA & SSHA in May 2014. However, in line with the Model Rules, the various classes of shareholding have been removed (para.C5 in the current Rules) as have the

complicated voting rights where ballots may be called at general meetings (para.C34 in current Rules).

(d) **References to the Board's function to appoint and/or dismiss a managing/executive director** (D1.7 & E6 in current Rules) – these have been removed as all executive posts within the Group are appointed at Group Level.

(e) **Borrowing** – there are generous limits (£500m) for borrowing stated (F12 in the proposed new Rules) – although these can be exceeded if agreed at a general meeting; the current Rules it simply states the association can borrow 'without limit' (F13 in current Rules).

5.5 The implication for Shropshire Council is that the influence of Councillors on the Board is reduced, but reflects a general move to ensure consistency in the operation of the Boards in order to manage the core business in a different way. Any decision to relinquish the Council's share holding, would be consistent with an earlier decision in respect to SSHA. However, if the Council chooses to keep the share, it will retain the same rights as any shareholder e.g. to attend AGM's.

6. Additional Information

None.

7. Conclusions

7.1 The recommendations allow for the effective functioning of the MMHA Board and are in line with previous changes in the wider Shropshire Housing Group constitution, the last one taking place in March 2012. The proposed changes clearly limit Shropshire Council's ability to influence the Board, but this reflects a general move to ensure continued good governance and maintain financial viability in line with MMHA's governance framework.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information):
Key Decision: Yes/No
Included within Forward Plan: Yes
If a Key Decision and not included in the Forward Plan have the General Exception or Special Urgency Procedures been complied with: Yes/No
Name and Portfolio of Executive Member responsible for this area of responsibility: Councillor Mal Price, Portfolio Holder Planning, Housing and Commissioning (Central)
Local Member
Appendices: Appendix 1 – proposed new MMHA Rules

Declaration of Interest

- I have no interest to declare in respect of this report

Signed Date

NAME:

PORTFOLIO HOLDER FOR:

- I have to declare an interest in respect of this report

Signed Date

NAME:

PORTFOLIO HOLDER FOR:

(Note: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter.)

For the reasons set out in the report, I agree the recommendation(s) in the report entitled

Signed

Portfolio Holder for

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and pro-forma is returned to Democratic Services for processing.

Additional comment :

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Note: If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, Head of Legal and Democratic Services, Chief Executive and the Head of Finance, Governance and Assurance (S151 Officer) and, if there are staffing implications the Head of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Portfolio Holder: Your decision will now be published and communicated to all Members of Council. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication.