



Glasgow and West of Scotland  
Forum of Housing Associations

*Keep it Local!*

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Kevin Stewart MSP  
Minister for Local Government and Housing  
St Andrews House  
Edinburgh EH1 3DG

2 September 2018

Dear Kevin

### **Loss of independence of community controlled housing associations**

GWSF is keen to raise with you our concern at the recent and ongoing trend which is seeing local, community controlled housing associations being taken over by larger, regional or national housing associations. This normally happens following a period of engagement with the Scottish Housing Regulator over governance and financial management problems.

The Forum's main purpose is to promote the interests of community controlled housing associations (CCHAs). As you are aware, the key strength of a CCHA is that it is run – and the assets controlled – by a management committee/board made up of a majority of local people. Its services to tenants and owners are local and responsive, and are provided by an association which intimately understands the wider community regeneration needs of the local area.

Earlier cases of statutory action, including Muirhouse HA, Wellhouse HA and Ferguslie Park HA, despite involving very significant governance/financial problems, saw the associations keen to retain their independence and ultimately succeeding in doing so.

But more recently within the GWSF area, Antonine HA, Arklet HA and Wishaw and District HA have made decisions to sacrifice their independence. In three further cases, statutory action by SHR is ongoing and no decisions have yet been made on the future of the organisations.

GWSF recognises that in legal and constitutional terms, each decision over the future of the association is made by the association itself. In raising our concerns with you we are not seeking to criticise specific decisions made by individual associations, each of whose circumstances will differ from others.

We recognise too that tenants are consulted at the point where the decision has been made about the type of structural relationship the association wishes to pursue and about its choice of preferred partner.

We would further accept that there have been some situations where the community ownership model has failed. In very small communities, or where there are serious financial issues, it has not always proven possible to sustain the model.

But the trend in loss of independence of associations which have existed for 20-30 years or more now appears to be gathering pace on a worrying scale. Too often it is happening with associations which, despite the serious issues that have arisen, are in a good overall financial position with low debt per property, and are continuing to provide very good repairs and other services to tenants, as evidenced by Charter indicators.

What is being decided all too readily in many cases seems to be founded upon the view that the local community cannot be entrusted with the ownership and management of their own housing assets. This is leading to the conclusion that there is no prospect of the local community (through its control of the local housing association) exercising competent governance in the same way that over 50 hugely successful organisations across the West of Scotland and Glasgow currently do. It seems it is being concluded that the community needs 'competent outsiders' to take over control of its assets.

Associations subject to statutory intervention are effectively brought under the control of appointees to the board and an external consultant acting as 'special manager'. We know that many such board appointees are experienced practitioners from our own movement, who are contributing their time and expertise, and we do not wish to criticise them or their judgement. But it does mean that control over the future of the association is in the hands of – or at the very least strongly influenced by – people from outside the local area.

The issue we must home in on is whether there are inherent pressures within the process of regulatory intervention, and/or within associations' subsequent decision-making processes, which could sometimes be leading to decisions on loss of independence being taken too readily, before all other options are properly considered.

Common themes in most cases of intervention are cited by SHR as being poor governance, lack of leadership etc. We do not doubt that associations subject to statutory action have real weaknesses. But such associations frequently have good performance statistics and a perfectly healthy financial position – for example in one case the association had a remarkably low debt per unit at under £11,000 - a key indicator of financial health (indeed this association has demonstrated the financial resilience to absorb the effect of the investment decision which spurred the initial regulatory report). It does not seem right that a larger association can take advantage of the hard-earned, positive financial position built up by a local association over a long period.

A further factor exacerbating our concern is the undue haste with which some associations push through the processes that will lead to loss of independence. In a recent case, an association which had been in engagement with SHR for many years gave only two weeks for potential bidders to express interest in taking over the association. It is difficult to see how this haste is in the best interests of tenants.

It seems to us that in too many cases there may not have been sufficient efforts made to explore how the overall management of an association, including the committee of management, might be revitalised to ensure that the association's hard earned assets remain in the ownership and control of the local community. This would be consistent with the Forum's recent work to highlight new ways in which member associations are attracting new committee/board members as part of their succession planning.

Ongoing independence also means that the association can continue to use its in-depth understanding of the local area to make the wider provision that is so crucial in helping communities thrive.

The financial cost to tenants of the merger process is another factor concerning us. Such costs come on top of the crippling cost of statutory intervention, which in one recent case involving a small association amounted to almost £1 million, due partly to a lender calling in a large loan as soon as statutory action was triggered.

Assets being owned and controlled by the local community is consistent with the Scottish Government's aspirations for community empowerment, which Scotland promotes, nurtures, funds and celebrates. And as a sector we welcome the mechanisms in the Community Empowerment Act, as well as the ongoing 'Democracy Matters' and Local Governance Review consultations, which seek to make these aspirations reality. However, if local assets are sold, they will not return to community ownership. This should mean that sale to an external agency must be a last resort, with every reasonable step taken to restore community capacity to govern the housing assets and the local services to tenants.

We would be keen to discuss with you, at the earliest opportunity, whether this issue concerns you and, if so, what can be done to stem the tide and prevent the further, unnecessary loss of local housing associations.

We could perhaps cover this issue as part of a wider liaison meeting with you, as it is now some time since we last met with you.

I look forward to hearing back from you.

With best wishes,

A handwritten signature in black ink, appearing to read 'Helen Moore', written in a cursive style.

Helen Moore, GWSF Chair