



Glasgow and West of Scotland
Forum of Housing Associations

The decision to transfer Reidvale Housing Association

GWSF position statement, November 2022

Summary

In May 2022 Reidvale Housing Association, formed in 1975 and one of Scotland's original community based housing associations, announced its decision to seek to be taken over by a larger association through a 'Transfer of Engagements'.

For a few months the transfer process was put on hold, following efforts by a small minority of Management Committee members to get the decision reviewed. But in late October the Association put a notice on its website, largely repeating its statement to tenants in May 2022, saying that the process was proceeding. And on 10 November, the Association advertised for expressions of interest in taking Reidvale over.

Despite some weaknesses emerging from an ageing Committee and lack of direction from senior staff in recent years, GWSF believes there is no 'burning platform' and no need for the transfer. The Forum further believes that Reidvale has been undermined by external players who know each other and have worked together in the past. They appear to be indifferent to the potential of community based housing associations and to have a tendency to see takeovers as the solution.

Some members of the Management Committee have actively supported transfer, whilst others have been less certain or directly opposed to it, but GWSF believes that as a governing body they have been misled, and that some members have felt bullied, by professional consultants who were supposed to be supporting the governing body. Where a governing body is in need of support and strengthening, it is open to being unduly influenced by those who are driving a transfer agenda, especially if those doing the driving are perceived to be close to the Regulator.

In GWSF's view there has been no shortage of things to challenge, and these are detailed in this paper. It is hugely disappointing to us that one of our member associations is being sent down the transfer route so unnecessarily.

The takeover will continue a trend of local housing associations being swallowed up, steadily eroding the most successful, long-standing form of community ownership in Scotland. This is at a time when the Scottish Government claims to be promoting community empowerment and community wealth building.

Background

GWSF is a membership body for 63 community-based housing associations, and Reidvale are one of our members. Since the announcement about the transfer in May, many of our members have expressed their shock at the decision. This situation is very difficult for us because membership bodies don't usually question their own members. But the circumstances in this case are exceptional, and it is impossible for us to accept what is happening without expressing concern.

In seeking to set out below our understanding of the position at Reidvale, we recognise that we are not party to every detail. This paper is aimed at informing our members as best we can to understand the situation and also to be aware of the potential implications for other associations in the future.

Based in Dennistoun and with 900 homes, Reidvale has been engaging constructively with the Scottish Housing Regulator (SHR) for the last three years to address identified shortcomings. This resulted in co-optees being invited onto Reidvale's Management Committee at the behest of the Scottish Housing Regulator, and successive Interim Directors being appointed to help progress improvements and procure an assessment of options. Reidvale HA has:

- No loans over any of its properties. This is highly unusual, with typical debt in Scotland being in excess of £20,000 per housing unit.
- Among the lowest rents in Scotland at around 14% below the Scottish average.
- Among the best performance and tenant satisfaction figures in Scotland, covering such things as repairs service, overall service, standard of homes and rent collection ([see the latest Charter data for Reidvale here](#))
- Reserves in excess of £2m.

These are all facts verifiable from the Scottish Housing Regulator's website. There is no crisis at Reidvale and, although the issues that require to be addressed present a challenge, we do not believe they should be unduly difficult to overcome by the Association as an independent, community owned organisation. The Association's latest Engagement Plan from October 2022 - [see it here](#) - indicates that it is working to achieve full regulatory compliance and gives no sense of an association which is past the point of no return.

Additionally, we believe that the challenges presented by Reidvale's tenement stock are no greater than for similar associations, and that they have the income stream and security base to meet these challenges better than most. The cost of stonework repairs has been given as a major reason for transfer: this makes many of our members extremely vulnerable should they ever face regulatory challenges at any point in the future.

GWSF has particular concerns about how quickly this decision was reached, and the extent to which a combination of external influences have had the effect of steering the Committee towards transfer.

With Reidvale's 900 homes having no loan finance secured against them, they are a very attractive proposition for a larger association looking to extend its borrowing. Even looking at just the tenanted value, such a takeover would remove more than £30 million of assets from the Reidvale community. This is asset-stripping at its crudest.

Below we summarise what we believe have been key factors in influencing Reidvale in the direction of transfer.

Co-option of additional governing body members

When issues are identified at an association, there are often discussions on 'strengthening' the governing body. In these situations, it is common for SHR to suggest specific co-optees. Sometimes these will be people from our movement who are extremely supportive of the association and who do not come with a pre-determined view that transfer is the default outcome.

But occasionally SHR-recommended co-optees may be much less supportive and may even have a reputation in the sector for promoting the takeover of smaller housing associations. We are concerned that Reidvale may have suffered in this way.

Whilst there is nothing wrong with co-optees being very active members of a governing body, a scan of any of the available Management Committee minutes shows a disproportionately large number of comments and contributions from one particular co-optee (who is a housing consultant), which does not give the impression of balanced input or appropriate consideration of others' contributions. Many contributions appear to be effectively directions, and executive in their nature.

Additionally, within a short period both prior to and after the transfer decision, formal complaints were filed against all three office bearers and another committee member. On all occasions the complaints were made in the context of criticism of the transfer process by longer-standing, local Committee members, and were highly

questionable allegations of breaches of conduct by four of these members, all of whom subsequently returned following the investigations. As far as we are aware, no interest in this seriously concerning behaviour was shown by the SHR.

‘Options Appraisal’ exercise

The quality of an Options Appraisal (OA) exercise depends significantly on how an association briefs its OA consultants. SHR’s Regulatory Framework document states that when major constitutional changes are being considered, there should be consultation with key stakeholders, including tenants, members, funders and local authorities. The Reidvale OA process did not include tenant consultation with tenants and this raises real concerns.

More broadly, we would be keen to ascertain whether – as we have seen in some previous cases – there was any attempt in the OA to highlight as serious problems issues which are in fact common to many other associations. Exaggerating the scale of a problem can make a governing body feel helpless and less likely to look for peer support from the networks which have built up in the movement over so many years.

How the final decision was taken

In view of what was contained in the Engagement Plan published at the end of March 2022, the apparent speed with which the OA process at Reidvale was carried out is a matter of serious concern. It can only have been a matter of weeks between the OA process kicking off and the decision to transfer.

We know too that the process and final decision took place in the less than ideal context of digital meetings that do not lend themselves to full, rounded discussion and which are much less satisfactory than in-person meetings for such challenging issues. The scoring exercise was carried out and the final decision made this way, at a time when other associations were resuming in-person meetings.

The Secretary was absent from all deliberations on account of the complaint against her (she subsequently returned but only after the transfer decision had been made).

We also know that prior to the Committee taking its decision in April, the Committee was advised that they were to meet with a consultant who could provide a fully independent view of the options. The chosen consultant was (using their own title) a ‘transfer specialist’.

Any process which is rushed and not discussed in the most appropriate way tends to ride roughshod over voluntary committee members who have invested years of time and energy in their association. Yet such volunteers are the lifeblood of a movement

which is committed to understanding and providing high quality services to local communities.

Lack of transparency over the decision making process

No Management Committee minutes since April 2022 are available on the Association's website, and the minutes that are there make little or no mention of any decision making process around a potential transfer. GWSF recognises that there may be some commercially sensitive aspects of any ToE decision, but the lack of transparency around the activities of the Management Committee since late April should not be acceptable to Reidvale's members and tenants, nor to the Scottish Housing Regulator.

It's easy to make empty promises

With the start of the process of identifying an association to take Reidvale over now under way, attention is inevitably drawn to the [assurances being given to tenants](#) that strong commitments will be insisted upon from the successful bidder. One of many examples of what GWSF believes will prove to be empty promises is the statement that rent affordability will be improved at the same time as investment being increased. Reidvale's average rent for a two-bedroom home is currently £69.59 – almost £15 below the Scottish average of £84.18. The scope for making rents more affordable whilst investing heavily would seem highly remote.

But we know from experience of previous takeovers that neither the promises being made by Reidvale, nor the commitments made by the (eventual) receiving association, will be subject to specific, detailed monitoring by the Scottish Housing Regulator in the future. Hence ballot outcomes can be seriously influenced by worthless promises.

A serious threat to the community based housing association movement

When a local association has issues which need to be addressed, we strongly believe that the underlying default position must be to support them to retain their independence wherever possible. Community ownership means that decision-making around service delivery is local, responsive and accountable. Once that fundamental element is removed it cannot be replaced. There is so much to lose when community ownership goes: power, control, responsibility and income all flow from asset ownership.

Where the tacit default assumption is transfer, it becomes all too easy for consultants and others to present information/evidence which they believe fits with that assumption. Where such assumptions become reality, community control is lost.

The particular implications for a community based housing association losing its independence are that a long established community presence will disappear, and with it millions of pounds of assets which belong in that community and have been paid for by its tenants. This is the essence of asset-stripping, especially when the stock has no debt secured against it (as in Reidvale's case).

The role of the Scottish Housing Regulator

Many of our members have raised with us the nature of SHR's role in transfer/survival decisions. GWSF has long believed that whilst SHR has no explicit merger agenda, it very much has an unwritten, unstated merger *culture*. Over the years we have had regular feedback from members about often subtle ways in which they feel they are being nudged by SHR down this route; and some member associations have told us about specific expressions of disappointment from SHR staff when decisions to retain independence have been made.

We believe that the root of this lies, at least in part, in the policy disconnect between the Scottish Government's commitment to community empowerment and community wealth building and the remit of the SHR, which (a) does not include supporting or protecting associations in trouble, and (b) makes no connection between the interests of tenants and the notion that these interests are served particularly well through community based associations.

Equally, we know of specific mention made to members by transfer consultants that large numbers of further such transfers are 'coming down the line' for interested parties. In that context, it is not difficult to identify the teaming up of 'usual suspects' acting together, sometimes appointing each other, and, it would seem, not in any way deemed by SHR to be a concern as they seemingly acquiesce in the process.

In amongst all of this, it seems there is no appetite for 'rebooting' community based associations that need support. This would involve hard work on engagement and capacity building, but few of the consultants being used at the current time appear to have any convincing experience of that or appetite for it. Huge sums – by which we mean hundreds of thousands of pounds every year – are being paid to consultants whose business model appears to be based on a 'move in, sell up, move on' approach.

Concluding thoughts

GWSF is extremely concerned that for community based housing associations, the operating environment they now face is making it significantly more likely that they could, at some point, end up losing their independence as genuinely local organisations. This is now a serious, existential threat to the future of the community based movement.

Our movement is the best and longest standing example of community ownership in Scotland, and indeed in Europe. This form of local control and community-owned assets embodies the Scottish Government's approach to community wealth building. The way in which community based housing associations mobilised so quickly to use Covid funding to reach the most vulnerable people when the pandemic hit was a graphic illustration of the value of true localism, and was widely praised by politicians and officials alike.

Praise is always welcome, but it is support and action that we need and, in particular, a statutory framework and policy context that protects and nurtures our movement so that it can continue to thrive instead of fearing the worst when mistakes are made.

The Scottish Government cannot overlook the growing threat to local housing associations when it is at the local level that so many of its flagship policies are put into action. We look forward to discussing this with politicians over the coming months, and we will demand that government take the necessary steps to protect, nurture and support our community based housing associations now and into the future.