



Enhancing Life Chances

## Circle Housing: Proposed Merger with Affinity Sutton August 2016

---

We would like to thank panel members for submitting their questions in advance. We have kept the answers succinct in order for them to be digestible and look forward to discussing these in more detail in person.

1. **What is the timetable for the merger?** Discussions are progressing positively and designate appointments have been made as the two organisations work together to deliver a single vision.
2. **What consultation is expected to happen on the merger; with which audiences and how will this be conducted?** We have already consulted with all residents across the Group on our merger proposals, and the outcome of this consultation was considered by both boards before taking the formal decision to merge. We wrote directly to every resident across the group inviting them to comment on the proposals and promoted the consultation online and in offices. In Merton, of small number of residents who responded, 80% were positive or neutral on the proposals. Alongside this, we have also held a number of meetings with the senior Council officers, the Leader of the Council and relevant portfolio holders and parliamentarians about our plans.
3. **How are current levels of resident satisfaction and the time taken on rectifying issues informing the merger and the service levels the new entity will aspire to achieve?** Customer service is a priority for the new organisation and we will be continuing to build upon the significant improvements we have already put in place. Merger is an opportunity to consolidate improvement with Affinity Sutton who have an excellent track record of customer satisfaction which last year stood at overall customer satisfaction of 83.4% and satisfaction with repairs at 89.6%.
4. **How will the integration be managed and what measures will be used to ensure that service levels are maintained during this process? The Panel is interested in how the satisfaction of staff and residents will be measured and managed during the integration.** We are working on a full transition plan to ensure that we engage employees, and have appointed a designate leadership team from across both organisations who are working together to lead on the delivery of this. We will be continuing to monitor customer service closely and our established KPI measures will continue to be closely monitored by the executive team.
5. **Given the Panel's interest in maintaining and driving up levels of service, what performance management measures will be maintained after the merger?** We are committed to driving up performance and to operate to a high standard, and as an example of this our performance figures for last month are below:
  - ***Emergency repairs completed on time – 96.6%***
  - ***Urgent jobs completed on time – 99.3%***

- ***Routine jobs completed on time – 98%***
- ***Satisfactory post inspections – 89.9%***
- ***Customer Satisfaction with repairs - 82%***

There will be a strong focus on this, and we will be sharing more details as plans further develop. As mentioned above merger is an opportunity for us to consolidate improvement with Affinity Sutton who have an excellent track record in customer service.

**6. Is the merger aiming to achieve cost reductions? Will this be achieved through redundancies? How will quality standards be sustained in the light of both of these eventualities?** Yes, we will be looking to generate efficiencies that can be put back into building more homes and investing in our communities and regeneration. Savings will be predominantly made combining head office and back office, given the opportunity that bringing two large organisations together offers, not front line services. Again we will have robust risk management and performance monitoring systems in place to ensure a smooth transition.

**7. Do the governance arrangements of the new entity include a commitment to attend this Panel every six months to discuss performance?** We want to continue to have a close relationship with LBM and would expect to have regular meetings at CEO level at which we could discuss strategic issues as well as operational performance. This change in nature of the relationship between the Council and Circle will reflect the delivery of the bulk of the promises and the risk we are taking around the regeneration.

Alongside, we remain committed to transparency and scrutiny and we will have a dedicated local team who will continue to be the Council's main point of contact for council officers to review performance and any emerging issues and to drive forward our ambitious regeneration plans. All arrangements will of course need to comply with any requirements arising from expected legislative changes associated with reclassification of housing associations to the private sector

**8. Will resident and Council representation be maintained through the governance structures of the new entity?** We will be creating a regional structure that ensures we continue to play a major role in our communities through local decision making and close working relationships, while responding to our residents' desire for more online and self-serve services.

Residents across the group will be represented in the new Governance structure. We are proposing a local community panel for Merton and are currently in discussions with the Council about how this will work.

**9. Will the new entity fulfil Circle's pre-existing commitments to the Council and its community grants programme?** The new company will inherit the obligations of the transfer agreement.

**10. How will the new entity accommodate the new waste collection service being achieved through the South London Waste Partnership procurement?** That is a local management issue which will ensure that waste collection meets the requirement of us as a landlord and our residents.

**11. How will the service to residents be improved by the merger?** Continuing to improve our customer service will be a priority for the new organisation. Additional benefits include:

- Provide the financial security and strength to regenerate our estates in Merton, including providing additional high quality homes through greater partnership working with the Council on broader development priorities.
- Enable us to continue to invest in our community in Merton and support more people into employment and training
- Provide significant numbers of new local jobs, particularly through our regeneration plans
- Allow us to build on the more than £150m that we have invested to date.

**12. How does the timing of the collapse of the group structure fit with the merger with Affinity Sutton?** These are two separate issues. We are seeking final consent on merger in September with the legal merger to follow. In terms of Merton joining the single group structure this would be in 16/17. However there will be a single housing association in the new company.

**13. What guarantee is there that any profits generated in Merton (e.g. from normal operations, right to buy sales or from the regeneration) will be reinvested in Merton (and not elsewhere in Circle's geographic coverage), as per terms of transfer? (Note: CHMP has generated a surplus every year since transfer in 2010.)** Circle intends to spend in the region of £1billion through the proposed regeneration of three estates in Merton which will require investment from across the Group. This is by far the highest level of investment in one borough across the group and will deliver extensive socio economic benefits for Merton and its residents. The increased financial strength of the merged organisation will allow us to support wider housing ambitions of our key partners like Merton, including the potential regeneration of Morden Town Centre

**14. What local representation (i.e. physically in Merton) will there be from the new entity as a result of the collapsed group structure?** We will continue to have a dedicated local team who will be based in Merton.

**15. What representation will CHMP residents have? Do any of these bodies have decision making powers? Scrutiny or service improvement central to our customer service and performance model**  
Our aim is to increase local accountability, through the creation of a community panel, which will include resident representation and will hold responsibility for scrutinising our performance and service improvement. We are currently discussing how this panel will work in practice with the Council.

**16. What is the composition of decision making bodies?** We will ensure that we have robust decision making bodies who will deliver the best value and service to residents. They will be appropriately skilled to ensure strong governance and risk management for an organisation of this scale.

**17. Will the local authority have power to appoint representatives to any bodies? Do these bodies have any decision making powers?** We are currently discussing governance arrangements with officers and members. As you will be aware, the government is reviewing powers of Local Authorities and we expect to see the nature of relationships to evolve to reflect this.

**18. Who will decide on rents, allocation of investment etc. in the new collapsed structure?** The same as now the Group Board.

19. **What is the proposed timing for the collapse of the group structure?** Completed in 2017/18
20. **Will there be a survey of residents' views, as there was prior to the transfer ballot to accurately gauge support?** We have already carried out a full consultation on merger as outlined above, and over 80% of those who responded in Merton were positive or neutral about the proposals. Separately, we are proposing to consult with residents on simplifying our structure in the autumn.
21. **What was promised to the HCA in the voluntary undertakings as a result of the investigation?**  
It was not an investigation but a proactive engagement in the light of the documented performance issues in some parts of North and East London. In the Voluntary undertaking we promised to address the complex group structure and move to a single housing association in line with the recommendations of the independent review.
22. **How does the new structure deliver the autonomy that was promised as part of the transfer? CHMP has always been a subsidiary.** It must be noted that this is separate to merger. The operating climate has now changed, and an independent review found that our 'federated' structure no longer helps us combine our scale with effective local delivery, decision making and accountability. The local board was originally established to oversee the transfer promises. A new structure is required to oversee the risks and complexity of regeneration and allow us the flexibility to invest funds from across the group.
23. **Does this proposed collapse of the group structure have support from the other subsidiary RPs?** Again this is separate to the merger. The move to a single RP is a strategy of the Management Board. However, the boards of Circle Housing Mercian and Circle Housing Wherry have already formally agreed to combine with Circle 33, and this will be happening in the Autumn.
24. **What has been the total investment in CHMP homes since transfer to Circle? How has this been financed? If borrowed, what is the interest rate charged and how is this determined?** We have already invested in the region of £150million and are proposing to invest a further £1billion in regeneration, alongside our continuing operational costs. Interest costs reflect market rates in line with group treasury policy and in line with an organisation of the strength and scale of Circle Housing.
25. **Will there be any financial, operational or strategic plans, reports and statements prepared that cover only the CHMP properties?** Yes, neighbourhood planning which will be developed with the proposed community panel. The plans will be informed by an understanding of demand, resident and stakeholder priorities, stock condition data, the results of asset performance evaluation, and housing management issues. They will take into account all Circle Housing assets within the area, including non-dwelling, commercial assets and land. The outcome will help develop stock investment proposals.
26. **Does Circle have any intentions of renegotiating the terms of transfer (that covered a 30 year or so period from date of transfer)?** While the majority of the terms remain, we are in discussion with officers about a small number of changes with regards to the CHMP Board and some other measures. The Government is also introducing legislation which will impact on the agreement, which we expect to be enacted in the coming months.
27. **What have been Circle's policies in terms of disposing of stock (e.g. street properties) both in Merton and in the other areas in which it operates? What have**

**been the policies of Affinity Sutton? What will be the new policy of the merged organisation with regard to disposals?** The new group will have an asset management strategy that promotes sustainable communities and ensures that investment decisions are sound, appropriate and deliver value for money and that homes are fit for purpose. The strategy will set out the approach to property disposals which will include, amongst a wide range of considerations, location, demand, value and NPV.

**28. How do Affinity Sutton's rents compare to Circle's? What is their rent policy compared with Circle's?** One of the key benefits of our merger is that we share similar outlooks and approaches and this includes rent policy. Affinity Sutton's rent policy is broadly in line with Circle's and follows the framework provided by the Welfare Reform and Work Act 2016.

**29. Of relets at present, what rate does Circle set for new tenants? What percentage is social versus affordable housing? What are Affinity Sutton's metrics at present in these areas?** Both Circle and Affinity Sutton have an agreed programme for new build affordable housing and conversions with the HCA over the next three years and their level of Affordable Rent reflects this.

This page is intentionally left blank