

6th April 2018

Tewkesbury Borough Council
Public Services Centre
Gloucester Road
Tewkesbury
Gloucestershire
GL20 5TT

Dear Mike

SEVERN VALE HOUSING SOCIETY MERGER PLANS – REQUEST FOR APPROVAL

Further to our previous discussions I can now confirm that our Board at Severn Vale Housing recently approved Heads of Terms that will enable the Society to merge with the Bromford Merlin partnership which is itself due to formally merge in July this year.

Why has the Society's Board decided Severn Vale Housing needs to merge with another housing association, or in this case, two other housing associations?

We are ambitious and set our sights high, our Vision... 'TO BE THE LEADING HOUSING PROVIDER IN GLOUCESTERSHIRE'

- *Over the 20 years since LSVT from TBC we have: Achieved 100% Decent Homes Standard across our housing stock (Spent £120m); Increased the number of properties we own and manage; Sold 312 RTB Properties raising £3.98m for TBC, But Built 1,076 properties funded from new borrowing*
- *Built a strong business generating Operating Margins > 40% each year since my appointment as Severn Vale's CE*

However, we want to do more...the problem is:

- *60% of our costs are 'back-office' so the Management Cost per Unit are High so we are less efficient than we might be if we were a larger organisation*
- *Borrowing to build has resulted in Very High Gearing for the Society...SVHS is at its full borrowing capacity (£36k per unit)...So we cannot borrow further to develop new homes for people in Glos., a key need in the County*

We can survive...but cannot thrive...and therefore cannot give Customers a top service: And we certainly are unable to offer a strong Community support service

So SVHS Board recognised the Society is unable to achieve its current vision – 'To be the leading housing provider in Gloucestershire' – without collaborating with another housing association.

Why did the Society's Board select Bromford / Merlin as the preferred housing association(s) with which to merge?

Recognising the need to collaborate the Society's Board took the decision in October 2017 to look for a suitable housing association partner; and set some key criteria to determine a HA with 'best fit for SVHS'...the key criteria was;

- *Geographically focussed on Glos.*
- *Customer focused with local service delivery*
- *Well-funded / lowly geared partner with access to funding to build new homes*
- *Culturally aware and based on Strong Values*

Housing organisations considered for partnering by our Board included Guinness Partnership, Fortis Living, Bromford, Merlin, Rooftop, Greensquare, Connexus, GCH, Two Rivers and WHG.

Using the key criteria identified above this list was narrowed down to four organisations; Bromford, Merlin, Fortis and Rooftop.

While talking to them to ascertain their appetite for collaboration we found that Merlin were already talking to Bromford about their own merger; and Fortis were talking to Waterloo about theirs.

Following discussions with each of these organisations the Society's Board made the decision to select Merlin and Bromford as preferred partner(s) based on - a 'Best Fit to SVHS's Criteria'; and those most able, through a new organisation, to jointly become 'the leading housing provider in Glos'.

Further discussions with Bromford and Merlin resulted in an Outline Business Case which was then approved by all 3 sovereign Boards. The Business Case outlined a number of things which address the questions raised/answered below.

What will be the Area of Operation?

The new housing association comprising of Bromford / Merlin / Severn Vale will create a 44K unit organisation covering the area from Wolverhampton in the North, to Bristol in the South, with Severn Vale and Tewkesbury being right in the centre of (the operating area) things geographically, I have attached a separate map to this letter which shows this.

The merger It will comprise 1,700 staff and have a joint turnover of £240M, so will have significant strategic influence in the areas in which it operates; a significant part of its portfolio is in Gloucestershire, which is great for this area.

What key benefits will this new Partnership bring to Gloucestershire?

The Business Plan for the new organisation is based on 4 key aims;

- Extending the existing Bromford Neighbourhood Coaching approach to Merlin and Severn Vale customers (this model ensures Bromford has 1 member of staff supporting 175 customers: Merlin and Severn Vale currently have a ratio of 1 to 550) – this will provide much more intensive support for customers to help them build and improve their lives
- Investing £1.5bn over 10 years to deliver 14,000 new homes – 50% of these new homes in Gloucestershire
- Investing in business-wide transformation programme to create simple, streamlined ways of working that will be easy for colleagues to deliver and easy for customers to access
- Creating better career opportunities to enable us to attract, develop and retain the best talent

What key benefits will this new Partnership bring to TBC?

There will be a number of key benefits, which would among other things include;

- Ward-Member access to Neighbourhood Coaches
- Local presence – Office location in Tewkesbury
- Local customer service delivery in Tewkesbury & surrounding areas will be maintained
- More resources to invest in local communities
- The new organisation will be a key player in JCS delivery across Tewkesbury / Cheltenham / Gloucester
- TBC Councillors / Officers will still be able to discuss wider housing issues with a major single delivery partner

What won't change from a TBC perspective as a result of this merger?

In addition to the benefits referred to above that a merger will deliver for the area, there are a number of things currently in place that will continue. These include;

- Undertakings / Contractual arrangements arising from the LSVT transfer agreement – e.g. Preserved Right to Buy, with resulting capital receipts paid to TBC

- Other arrangements made since transfer that are part of the current service delivery – e.g. TBC nomination rights under the Choice-based Lettings system for allocating new tenancies
- Operational joint working groups – e.g. Financial Inclusion Partnership, The Community Safety Partnership
- Tenancy agreements giving Secure Tenancy to tenants who transferred from TBC to Severn Vale in 1998

Timescales/Activities for the Merger

Severn Vale's current merger plan timescales indicate we will be looking to merge with their new organisation early in 2019. This will involve merging Severn Vale in to Merlin, thereby resulting in Severn Vale becoming part of the 'new' Bromford Housing Group. The merger has been set up this way to maximise future funding opportunities. However, the newly merged organisation will be known as **Bromford** and will operate as one organisation.

As part of our merger process we will be starting a consultation with customers and staff in the coming weeks and, of course, undergoing due diligence.

Bromford and Merlin have already embarked on a three-year transformation programme to bring systems and processes together and, just as importantly, to shape a vibrant culture with shared values and purpose as a new organisation. By joining at this early stage in the transformation, we too will be able to contribute and play an active role in shaping our future.

What does Severn Vale need from TBC?

In order for us to move our merger plans forward, as part of the LSVT agreement between ourselves and Tewkesbury Borough Council, we are required to request formal approval from the Council to proceed with our process as the merger, this will involve transferring some housing assets that were previously owned by the Council prior to Stock Transfer in 1998.

We would ask that this be considered for approval at your forthcoming Full Council meeting on 17th April 2018.

As previously discussed Claudia Cobban, Governance and Strategy Director, and myself are very happy to attend that meeting to provide further details and answer any questions Councillors may have about our plans to bring about positive change for social housing in Gloucestershire.

What happens next?

Once we have Council approval we will then be in a position to kick start a chain of events, starting with the Customer Consultation process.

Many thanks for your assistance in helping myself and the Society get to this point and we look forward to continue working with you to get the merger completed and ensure an exciting future for our customers, communities and staff.

Yours sincerely



Tim Knight
Severn Vale Housing Society Chief Executive

How we fit together.

Area of Operation

