



EMPOWERING COMMUNITIES

The Community Gateway Model



A report by
HACAS Chapman Hendy and
Trowers & Hamlins

From an original proposal by Nic Bliss and Charlie Baker
of the Confederation of Co-operative Housing

January 2003



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Chartered Institute of Housing
Octavia House, Westwood Way
Coventry CV4 8JP
Tel: 024 7685 1700 Fax: 024 7669 5110
Website: www.cih.org

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The Housing Corporation
149 Tottenham Court Road
London W1P 0BN
Tel: 020 7393 2000 Fax: 020 7393 2111
Website: www.housingcorp.gov.uk

Empowering Communities – The Community Gateway Model

Report by Sarah Rowe of HACAS Chapman Hendy with additional contributions by Jeff Zitron. Legal advice provided by Ian Doolittle, Jeremy Ford and Sarah Gooden, Social Policy Legal Unit, Trowers & Hamlins.

Toolkit:

Model rules by Trowers & Hamlins

Model community empowerment strategy by Nic Bliss of CCH

Key marketing messages by Nicola Winn of the Bridge Group

For further information on the model from the three organisations that commissioned and published the report, contact:

Confederation of Co-operative Housing

Nic Bliss or Charlie Baker
nic@cch.coop or charlie@cch.coop
Tel: 07947 019287 or 07947 793795

Co-operatives UK (previously Co-operative Union Ltd)

John Goodman
jgoodman.coopunion@co-op.co.uk
Tel: 0161 246 2933

Chartered Institute of Housing

Mark Lupton
mark.lupton@cih.org
Tel: 01530 834000

Edited by Mark Lupton and John Perry of CIH

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Contents

Acknowledgements	4
Foreword	5
1. Executive summary and recommendations	7
2. About the report	14
3. An introduction to the community gateway model	16
4. The community gateway process	26
5. The community gateway association	35
6. Business planning and funding issues	46
7. Setting up the community gateway association	58
8. After Day One	68
Appendices	71
Appendix 1 Bibliography	71
Appendix 2 Glossary of terms	72
Appendix 3 The Toolkit	73
Model rules for a community gateway association	73
Model community empowerment strategy	92
Key messages for a marketing and communications strategy	99

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Foreword

Tenants often feel that they do not have sufficient influence over their housing, particularly when big decisions are being taken. Both stock transfer and proposals for arm's length management must test tenant opinion, but often they are not involved early enough.

This report shows how tenants can get involved from the initial stages of the process. The Community Gateway Model advocates a new type of body, in which tenants can have different levels of control or even ownership.

The aim of the report is to influence policy – both centrally and at local level – and to show people how they might implement the new approach we are advocating. We will be making the case to government for the changes in rules needed to facilitate the Community Gateway Model, and we have already consulted local authorities and tenants groups who have expressed an interest in pursuing it. The Office of the Deputy Prime Minister has responded so far by saying that it encourages the Model as a helpful contribution to the ongoing process of delivering better services to tenants, which should be considered equally with other housing delivery options.

We therefore hope that this report will provide the basis for fuller tenant involvement in key decisions about the future of housing – and that its publication will result in live development of the model, turning it from theory into practice.

January 2003

What is the community gateway model?

This project came about because we recognise that when councils make decisions on the future of their housing, tenants often feel that they do not have enough influence.

Tenants have a range of concerns about their homes and the neighbourhoods they live in, and if they are to engage effectively in decision-making the process will have to start 'where tenants are at'. Also, if the process is to encourage tenants to take part and enable them to take more power, it must be tenant-driven and recognise that changes will take time.

The community gateway model aims to give tenants and leaseholders more control over their homes and living environment. For those considering the arm's length management organisation (ALMO) or stock transfer options, the community gateway model provides a new type of body, where rights to influence the running of the organisation are built into the structure in a range of ways.

The model has two elements; the community gateway process, and the community gateway association.

The **community gateway process** is a way of approaching the selection and delivery of housing options that creates more opportunities to devolve power to tenants – where tenants want it – and creates the basis for sustainable community involvement and empowerment. It could be adopted by any social landlord, regardless of whether a change of management or ownership is being considered. The process involves:

- developing a community empowerment strategy that spells out how tenants and leaseholders can increase their involvement in decision-making and management, both at a landlord-wide and local level – this could be part of the offer to tenants where stock transfer is proposed;
- agreeing 'local community areas' that will be the focus for community-based activities and decision-making;
- carrying out a programme of community options studies, where every local area gets the chance to consider how it wants to be involved in the future;
- consulting other residents and the wider community about decisions that are relevant to the whole community;
- giving every local community a wide range of options for involvement, from consultative approaches through to management and ownership.

Tenants and leaseholders are helped to develop the expertise they need for different levels of responsibility, and are able to staircase up to greater levels of control when they are ready.

The **community gateway association** is a type of not-for-profit organisation that (depending on the choices made by authorities and their tenants) can be used to manage council stock (as an ALMO) or take ownership of it as a housing association. It could be used for all or part of the housing stock. The association could be an industrial and provident society or a company limited by guarantee, and it could be a freestanding

organisation or part of a group structure. It could have a remit that extends beyond social housing to include wider neighbourhood regeneration.

Under its constitution, the association would be obliged to secure the widest possible involvement in the organisation, and promote opportunities for increased tenant and leaseholder control. But in other ways its objectives would be similar to those of any social landlord – meeting housing need and contributing to the delivery of wider local authority strategies.

Tenant board members could make up the largest interest group on the board. In whole stock transfers, tenants would have just under a majority of board places. In certain partial transfers or those involving a group structure, tenants could be in the majority where this is judged viable. Leaseholders could also be represented on the board.

Tenant board members are selected either by the tenant membership or by all tenants of the organisation.

The association will try to secure high levels of tenant and leaseholder membership and have a majority of tenant members. Tenant members could have a role in approving independent board members or selecting them from an approved slate (depending on the geographical remit and role of the organisation), and would receive key documents and reports, including the board's annual report on how it is carrying out the community empowerment strategy. The model assumes that only tenants (and as an option also leaseholders) could become members. But it would be possible to open up membership to other residents, where the aim is to have wider community involvement in running the organisation.

Why choose the community gateway model?

Involving people in decision-making can help deliver better value for money and better service quality. It can help generate communities that people want to live and stay in. While empowering communities costs money, it also represents an investment that can generate long-term benefits. For example, it can help to turn round unpopular areas.

The community gateway model will help social landlords deliver effective community involvement, because community empowerment will be at the heart of the business.

While some of the costs of community empowerment should be deliverable within existing budgets, there will be some additional costs. Some, such as setting up the community gateway association, carrying out community options studies, and sustaining tenant involvement, will be relatively easy to quantify. Others, such as possible future devolution of power to tenants, and the impact that this may have on economies of scale, less so. The model includes recommendations on how these costs might be anticipated and met. Where resources are not available from within existing budgets and plans, it will help social landlords make the case for:

- additional funds to pay for work on the development of the model;
- attracting external funding so that longer term costs can be built into the business plan.

The model aims to give tenants and leaseholders more of a say than is usually the case, and is designed to bring decision-making down to a local level wherever possible. Tenants and leaseholders can be involved to the extent that they want in deciding:

- how money is spent;
- how their homes and communities are managed.

Because these commitments are clearly spelt out, and built into the business plan, tenants and leaseholders can be confident that they are deliverable. Where a change of management or ownership is proposed, this could help to increase confidence in the new organisation.

The model also has potential advantages for staff in the social housing sector. Local authorities considering the model should demonstrate how staff will be supported to take up these opportunities and helped to develop their skills. They should promote a sense of ownership of the new organisation among staff as well as tenants. This means early consultation with staff – and trades unions – to address any concerns about job security and employment rights.

Setting up a community gateway association

Local authorities that have opted for stock transfer, or the creation of an ALMO, face a period of massive change. The process of setting up a community gateway association is similar to any other change of management or ownership. The critical difference is the time that authorities need to invest early on in working with tenants and other key stakeholders (such as council members and staff) – to develop understanding and ownership of the model. Putting time in early on should help to increase confidence in and support for the new organisation. By bringing tenants and other stakeholders into the process from the start, there should be more certainty that the option eventually chosen can actually be delivered. The key stages in setting up the organisation are shown in the box.

Setting up a community gateway association – key stages

- develop awareness of the model among all stakeholder groups, including both tenants and staff, at the time of the strategic options appraisal;
- consider the way the community gateway association could relate to or help deliver wider community regeneration initiatives, in consultation with the local strategic partnership and other relevant agencies;
- agree the legal structure, size and remit of the community gateway association, and decide whether or not to adopt a group structure;
- make a plan for developing organisational capacity for the new approach, and identify and address staff concerns;
- develop a communications strategy;
- start work with tenants and leaseholders to promote the model and recruit members;
- identify local community areas and timetable for local options studies;
- set up the shadow board of the new organisation and liaise with key stakeholders (government office/Housing Corporation/funders);
- develop the community empowerment strategy, the business plan and the offer to tenants and leaseholders.

(Chapter 7 of the report provides further information about the tasks involved).

Funding and business planning

The purpose of a community gateway association, whether as an ALMO or for transfer, must be strongly reflected in its business plan and that of the local authority. Any community gateway association business plan will need a strong community focus, regardless of how devolution of power develops over time. Without this, community empowerment cannot work.

The ALMO context

At present, local authorities that create ALMOs or transfer part of their housing stock are not compensated for losses of economies of scale. Neither is there compensation for an ALMO if management of part of its stock is devolved to tenants.

ODPM's recent consultation paper on the future of housing capital finance¹ includes radical reform options. These include reducing local authority housing debt down to a level that can be met from rents and providing local authorities with a capital grant based, rather than revenue subsidy based, system.

Both these options would provide a better basis for funding ALMOs in general and community gateway associations in particular. They would allow the prospective ALMO and the local authority to negotiate a business plan that would be submitted to ODPM as part of the consent procedure.

As the ALMO developed its programme of devolution with tenants over time, we suggest it should be possible to resubmit a business plan to seek funding for newly arising costs, such as those for further community empowerment or to accommodate loss of economies of scale.

If the government opts for a less radical option, for example, retaining a revenue based subsidy system, there ought to be increases in management and maintenance allowances to accommodate the financial effect of a community gateway ALMO devolving the management of its stock.

The government should also include additional borrowing support for community empowerment within each authority's ALMO allocation.

The stock transfer context

The CIH has recently made the case² for dedicated funding for a range of pre-ballot and pre-transfer costs including capacity building and tenant and staff training. Such funding could be a way of financing the pre-ballot community empowerment work of the authority and prospective community gateway association.

Alternatively, a separate Tenant Empowerment Grant could be available direct from ODPM to fund work on the development of an empowerment strategy and the definition of neighbourhoods in the pre-ballot and pre-transfer period.

Community gateway housing associations are likely to be able to make some provision for community empowerment spending from their own resources, for example by using headroom within the business plan to finance additional borrowing, or by using the 5%

1 ODPM (2002a).

2 CIH (2002).

tolerance within the rent setting regime to fund parts of the community empowerment programme. Local community areas which outperform business plan targets could be allowed to use any surplus for community empowerment activities, creating an incentive for achieving improvements in housing management performance.

There should also be greater flexibility in the transfer valuation methodology to include both one-off and recurring costs of community empowerment. This should apply to all transfers, including those needing overhanging debt funding and negative value transfers. As an incentive to authorities to develop community empowerment, those that agree to fund it through the valuation could be exempt from the transfer levy or pay it at a lower rate.

Community gateway housing associations should be able to seek funding (possibly via the Housing Corporation's Tenant Empowerment Grant on a match-funding basis) to refinance their business plans to accommodate further devolution.

To allow for a strong community focus and future devolution of power, community gateway association transfer business plans should, where possible, be built up from a series of defined neighbourhood business plans, with central costs being shown as fees or recharges to the neighbourhoods. Each of the local community areas could also have its own notional funding model, to identify the prospects for future refinancing of parts of the transfer. This approach may not be immediately feasible in some areas, perhaps because of poor local information. However without disaggregation, commitments to devolve decision-making will be more difficult to deliver. Local authorities that adopt the model should therefore aim to achieve a local community focus within the business plan over time.

Other aspects of the community gateway association's operations (e.g. information technology and computer systems and procurement) also need to anticipate both a community focussed approach and future devolution.

Devolving management responsibility is unlikely to prove problematic where the community gateway association has built this into its business plan, and has a framework for assessing the competence of the tenant management organisation, and ensuring that the transfer will not adversely affect the viability of either organisation. The Housing Corporation could insist that its consent is required for individual applications to devolve management.

Transferring ownership of assets to tenant controlled bodies may be more difficult, particularly in the early years after transfer, because of the effect on the association's ability to meet lenders' covenants. However, this would be less problematic if the community gateway association retains some control over the transfer. For example, transfer of ownership could potentially take place by establishing the tenant-controlled organisation as a subsidiary of the community gateway association or on a leasehold basis. This would provide the devolved body with greater control than a tenant management organisation, while still providing the community gateway association with the security to support continuing loans secured against the transferred homes.

There is nothing endemic either in the private finance system or in the attitudes of funders to suggest that the funding of a community gateway association, or of a social business committed to community empowerment, is problematic. While some changes to current public policy and regulatory practice will be needed, the model offers all stakeholders in social housing potential benefits, as well as meeting government objectives.

Recommendations

For social landlords, tenants and leaseholders

Social landlords, tenants and leaseholders should look at the potential benefits of the community gateway model when they review their strategic options for the future of the housing service. Local authorities should make sure that tenants are involved in the decision-making process, so that there is tenant ownership of the proposal at the outset. Tenants should have access to independent advice.

If they decide to keep their housing stock, local authorities could decide to carry out the community gateway process without the need to set up a new community gateway association.

Where the community gateway model is favoured, authorities will need to review how they operate, and how they involve tenants – so as to reshape their organisation to deliver community empowerment. A ‘change management’ plan will be essential. This report and toolkit aim to help authorities prepare for change. The report also provides references to good practice guidance to assist those considering the model.

Proposals to adopt the community gateway model should take account of any wider plans for neighbourhood renewal and community development, and should help decide whether the community gateway association and any locally established tenant organisations should have a purely landlord focus or a wider community regeneration role. The relationship between a new community gateway association or group, and existing regeneration agencies should be considered when setting the remit and objectives of the new organisation. The remit should reflect local needs, and should be developed in consultation with all relevant partner agencies and stakeholders.

For the ODPM

The ODPM should examine further the funding requirements of the model – and options to meet them which are put forward in the report – both within ALMOs and stock transfers.

When doing this, the ODPM could select two or three local authorities that are interested in the model to operate as pilots – including at least one stock transfer pilot – to examine the likely demand for section 16 funding, the costs of each stage of the empowerment process, and alternative ways of funding community empowerment. This would help shape the overall approach by which community gateway associations would make provision for these costs.

The ODPM should work with the Housing Corporation to ensure that any funding mechanisms put in place, provide housing association tenants with similar access to funding for devolution as that provided to council tenants (under section 16 of the Housing and Planning Act 1986). Specifically, tenants of housing associations should get support for the costs of investigating tenant management where appropriate conditions are met, and the Corporation’s conditions of grant should normally allow this.

The ODPM should promote the community gateway model as a mechanism designed to deliver government policy objectives for community empowerment, neighbourhood regeneration and social enterprise. Key audiences include local authorities, tenants, section 16 agencies, and agencies involved in neighbourhood regeneration, including local strategic partnerships.

The ODPM should examine with existing/prospective ALMOs whether and how best to allow for tenant membership of community gateway associations in this sector, with the aim of increasing the scope for community influence over ALMOs.

For the Housing Corporation

The Housing Corporation should work with ODPM to review the funding requirements of the model as it applies to stock transfer, and the options put forward in the report to meet these requirements. Specifically, the Corporation should ensure that housing association tenants seeking to examine tenant management should have access to funding in much the same way as those in local authorities.

The Corporation should review its guidance on the general membership arrangements of stock transfer housing associations to ensure that those with a majority of tenant members qualify for registration – where other regulatory requirements are satisfied.

The Corporation should recognise and adopt the community gateway association as one of the constitutional forms available in stock transfer. To make the community gateway approach viable it should also:

- allow prospective stock transfer housing associations to develop a framework for reviewing community options and devolving control as part of the formal offer to tenants, which incorporates a devolution process;
- provide guidance on the steps that an association will be expected to take where devolution is being proposed, and the consents required from the Corporation;
- clarify how housing associations can make provision to fund devolution.

Methodology

This report builds upon an idea developed by the Confederation of Co-operative Housing (CCH) with the Co-operative Union (CU).³ This proposed that stock transfers should take place to an enabling body, which would allow tenants to pursue a step by step approach to controlling their communities, and to implement the principle of self-help. Together with the Chartered Institute of Housing, CCH and CU commissioned HACAS Chapman Hendy and Trowers & Hamlins to develop the idea, and provide guidance on the legal structures and other arrangements that would be needed to deliver the community gateway model.

Fieldwork has been carried out to test and help develop the model. This involved two seminars, run by CCH in London and Manchester, to test the concept with tenants and housing practitioners. This helped to develop an initial discussion paper, which was followed by case study visits to Preston Borough Council and Sandwell Metropolitan Borough Council. In each case, the project team met with both council officers and tenant representatives to look in principle at the implications of using the model.

The case study visits gave rise to the proposal that the model should also be tailored to suit arm's length management arrangements (see figure 1); giving local authorities and tenants interested in the community gateway idea a wider range of options to consider. Other feedback from the case study visits has helped shaped this report.

Figure 1

Case study example – Sandwell MBC

Stock transfer has not proved popular with tenants of Sandwell's 37,000 homes, and the council was interested in seeing the community gateway model proposals develop as both an ALMO and transfer option. Because of the problems affecting the housing market in Sandwell and the wider region, across both the public and private sectors, there is a need for models suitable for mixed tenure areas. The council is developing its regeneration strategy on the basis of Sandwell's six towns, with planning and aspects of service delivery devolved down to 79 neighbourhoods. The community gateway model may therefore have some relevance.

In addition, the idea has been tested by the Institute for Public Policy Research (IPPR) with four focus groups of local authority tenants, chosen at random in two English cities (one in the north and one in the south). These views have also helped shape the report, and again are referred to where appropriate in the text. The full IPPR report on the focus groups can be found at on the CIH website (www.cih.org).

The research has been overseen by an advisory group, which has provided advice on the emerging ideas and on the shape and content of the report.

³ Mutuo (2001).

Purpose of the report

The report aims to:

- Provide practical guidance for local authorities, housing associations and tenants wishing to adopt the model at a local level. The report outlines the potential benefits of the model, and discusses how it can be implemented, looking at the different circumstances in which it can be used, and the different forms it might take. A toolkit in appendix 2 provides the following model documents which can be adapted for use locally:
 - community gateway association rules;⁴
 - a community empowerment strategy, setting out the key components of the approach that will be adopted to devolve power;
 - key marketing and communications messages for use by those planning to adopt the model, to promote the community gateway association, and help the main stakeholder groups understand the benefits of the model.
- Outline for national policy makers (principally government, the Housing Corporation and the relevant trade bodies) the significance of the model and why it should be promoted, addressing also areas where policy and practice may need to change so that the new approach can be delivered locally.

The model is not intended to be prescriptive. The approaches suggested in the report, and outlined in the toolkit, are designed to be adapted to local circumstances, and meet the diverse requirements of tenants and social landlords across the country.

The report concentrates on the relevance of the community gateway model to local authority tenants and leaseholders, and the delivery of the landlord function (albeit linked with community regeneration where relevant), and the rules are structured accordingly. But the model might also have a role to play in wider regeneration and neighbourhood management across tenures, which would raise the issue of how to involve the wider community in decision-making. How this might be done, whether across the community gateway association's entire area of operation, or at a local level, is looked at more fully in chapters 4 and 5.

Structure of the report

Because the community gateway model is a new idea, we devote the next chapter to explaining what it is and why it is needed. Chapter 4 then looks at the process involved in using the model. Chapter 5 looks at the model itself – the structure which it offers for the future of local authority housing. The next three chapters deal with different aspects of implementation. The appendices contain the detailed material needed by those who are actually intending to use the model in their local authority area or for their organisation.

4 The model rules have been designed for a stock transfer organisation, and would need adaptation for use with an ALMO.

The context

Transfer of council housing to new housing associations or local housing companies has taken place in more than one third of local authorities, accounting for about 650,000 homes. More recently, the government has encouraged the setting up of arm's length management organisations (ALMOs) in 21 authorities, which cover a further 370,000 homes. This means that more than one million properties which were conventional council houses or flats a short time ago are now under new management. Yet despite this massive change, there remain doubts among councils and tenants about whether these new bodies are needed and, in particular, whether they are able to offer a better housing service which is closer to tenants and which involves them in decision making.

In many authorities, there is opposition to change of this kind, and one of the main objections is not just that tenants might not be effectively involved in the new arrangements, but that the changes are driven by financial concerns rather than by a clear motivation to transform the housing service and bring it closer to tenants. Because the change processes are complex, involving difficult financial and legal issues, it is not easy for tenants (and councillors) to engage with them. The community gateway approach seeks to turn the decision-making process on its head, and *start* with tenants' concerns, their perception of the issues, and their views on how to tackle them.

What is the community gateway model?

This project came about because we recognise that when councils make decisions on the future of their housing, tenants often feel that they do not have enough influence.

Tenants have a range of concerns about their homes and the neighbourhoods they live in, and if they are to engage effectively in decision-making the process will have to start 'where tenants are at'. Also, if the process is to encourage tenants to take part and give them more power, it must be tenant-driven and recognise that changes will take time.

The community gateway model aims to give tenants and leaseholders more control over their homes and living environment. For those considering arm's length management organisation (ALMO) or stock transfer options, community gateway provides a new type of body where rights to influence the running of the organisation are built into its structure in a range of ways.

The model is underpinned by the belief that greater levels of tenant control can bring important additional benefits – from better quality housing management and better value for money to more sustainable communities.⁵ The model has a particular relevance in neighbourhoods where tackling social exclusion is a priority.⁶

5 On the potential benefits of resident involvement in general see, for example, Cooper and Hawtin (1998) (particularly Chapters 4, 12 & 15) and DETR (1999a); on tenant management see DoE (1995) and ODPM (2002b).

6 Cabinet Office (2001). (The National Strategy emphasises that "the most effective interventions are often those where communities are actively involved in their design and delivery, and where possible in the driving seat".)

The model has two elements:

The **community gateway process** is a way of approaching the selection and delivery of housing options that:

- maximises opportunities for devolving power to tenants and leaseholders where they want this;
- creates the basis for sustainable community involvement and empowerment.

The **community gateway association** is a type of not-for-profit organisation that (depending on the choices made by authorities and tenants) can be used to:

- manage council stock (as an ALMO); or
- take ownership of it (as a housing association).

Under either option, tenants (and possibly the wider community) have a wide and more flexible choice of ways to be involved in decision making, and the chance to decide on their preferred approach. This is the 'gateway'. But while the options of tenant management and ownership are an important part of the model, they are not its sole focus. The model recognises that tenants and leaseholders may prefer other ways of influencing decision-making; a central objective is to ensure that they can choose their preferred approach. The model envisages that communities will be able to extend their level of control over time, as expertise and experience grow. This is called 'staircasing' in the report.

The model builds on a range of existing initiatives and best practice associated with devolving decision-making, with the aim of providing a comprehensive toolkit for councils, ALMOs, stock transfer housing associations and tenants.

While many of the individual components of the model are not new, together they offer a systematic approach to resident empowerment where a change of management or ownership is being considered. Some aspects of the model would require a change in regulatory or funding practice (which are outlined in the following chapters of the report).

The model is being proposed as an 'option' available to social landlords, tenants and leaseholders; not as a model that would be made compulsory for all changes of management or ownership. Similarly, it is intended as a flexible and enabling model – one which landlords and tenants can adapt to suit local conditions.

Why do we need a new model?

Securing resources for investment is a primary concern for local authorities, and the focus of work they are now required to carry out as part of the new financial framework for local authority housing.⁷ The investment appraisal is a critical element of this, and is likely to include an examination of a range of options for raising funds and meeting wider strategic objectives. These options include stock retention, whether through arm's length management, the private finance initiative (PFI) or direct local authority management, and stock transfer. Local authorities are expected to involve tenants fully in this appraisal process.⁸

7 DETR (2000a).

8 DTLR (2001a).

There is often pressure to reach decisions on the way forward for the housing service within a tight timescale. Factors such as the need to meet government decency standards for council housing, and the demands of best value, when balanced against constraints on council spending and the need to balance the housing revenue account, contribute to this pressure.

So while there is an expectation that tenants will be fully involved in decisions that affect the future of their homes, they are often asked to make these important and complex decisions over a relatively short period, even in areas with little track record of tenant involvement. If the selected option involves setting up an ALMO or a new housing association, the time available to develop the new agency is also likely to be limited. There may be little time to start work with tenants locally on the development of community based decision-making arrangements. While tenants may enjoy a strong bargaining position in the run up to a test of opinion, once their consent to a change of ownership or management has been given, they may feel that they will have less influence on decision-making. Critically, this may undermine confidence in the prospect of a change of management or ownership, particularly given the underlying suspicion that exists in many areas about stock transfer.

The community gateway model has been developed as a response to these pressures:

- It is designed to provide tenants and leaseholders with more tangible ways of influencing a new ALMO or housing association than they would normally have, by:
 - placing tenants and leaseholders at the heart of the strategic decision-making process, both as members of the organisation, and as the largest group on the board;
 - building community empowerment commitments into the constitution.
- It is designed to reconcile the timescales for making strategic decisions and setting up new management or ownership arrangements with the reality that building up tenant and community empowerment takes time. The model assumes that meaningful empowerment must be built around local communities, not on the basis of an entire local authority area. Rather than hold up proposed changes of management or ownership to allow for the full development of community based resident involvement, the model allows the change to proceed, but with commitments to tenants that they may choose the extent of local empowerment that they want at a later stage.
- Tenants and leaseholders will want assurances that the new body has the money and organisational capacity to make empowerment viable in the longer term, and to ensure that the bargaining position enjoyed by tenants in the run up to the test of opinion is maintained and developed. The model seeks to provide this underpinning, by addressing the practical and financial issues that landlord bodies will need to address.

While the model was developed for use in stock transfer or arm's length management, it is also relevant for local authorities planning to retain their stock and for traditional housing associations. Even without setting up a community gateway association, social landlords could commit themselves to local decision-making and devolution, and use the community gateway process as a route to greater tenant and community involvement.

Above all, while the community gateway model may be initiated from the 'top-down', it is also designed to operate from the 'bottom-up'. Its success is likely to be greater where tenants and leaseholders embrace, and take ownership of, the community gateway association, and take up opportunities for involvement in local decision-making. If this happens, the model will enable tenants to shape and deliver their own agenda, both strategically and at local level.

How does the model relate to the Welsh 'community mutual' approach?

The community gateway model builds on the 'community mutual' model constitution that has been developed in Wales by the co-operative movement, and is being promoted by the Welsh Assembly Government as one of the new landlord options that can be adopted for housing stock transfer.⁹ Like the community mutual, the community gateway association enables tenants to own the new organisation, and therefore to exercise real influence over strategic decision-making. It also incorporates constitutional commitments on the devolution of power to local communities, and provides an opportunity to establish community businesses with a remit that extends beyond housing and the physical environment.

However, the commissioning bodies for this study have sought to build on the community mutual approach to produce a toolkit for implementing community empowerment. This addresses the range of practical issues that need to be addressed by organisations considering the community gateway approach, of which the constitution is just one element. There are also some technical differences between the two models which include:

- the presumption that tenants will normally be the largest group on the board (with one less than a majority of seats);
- rules requiring the support of a three quarters majority of board members for any key rule changes or the removal of board members; and,
- a requirement that tenants 'sign-up' to become members, rather than assuming that every tenant is automatically a member.

These changes have been designed to balance the requirements of key stakeholder groups, including tenants, funders and regulators.

How does it fit with government policy and practice?

The community gateway model fits well with government policy. Since the late 1990s, there has been a strong policy emphasis on involving consumers in decision-making and on empowering communities. This extends through a range of policy areas including modernising and improving the quality and efficiency of public services,¹⁰ increasing active citizenship, tackling social exclusion,¹¹ and increasing sustainable economic activity.¹²

Tenant empowerment and housing

In the housing sector, it is acknowledged that tenant participation and control can bring benefits, ranging from empowering individuals and improving service delivery to stabilising, sustaining and revitalising communities.¹³ Research into tenant management has found that tenant controlled organisations tend to deliver better value for money than host landlords, while contributing to the development of community capacity and sustainability, particularly on estates considered difficult to let.¹⁴

9 Welsh Assembly Government (2002).

10 DETR (1999b).

11 Cabinet Office (2001).

12 DTI (2002).

13 DETR (1999a) (and see note 1).

14 DoE (1995); ODPM (2002b).

With the introduction of the requirement for local authorities to establish tenant participation compacts in 1999, the government signalled its commitment to ensuring that tenants “have the opportunity to influence housing decisions which affect them and their community” and that “they should also be able to choose a level of involvement that they want”.¹⁵

Underpinning this policy commitment, council tenants and leaseholders have specific statutory rights to be consulted and informed about the management of their homes, and in certain circumstances, to become involved in the management of their homes under the ‘right to manage’. The government provides funding for tenants wishing to examine the feasibility of taking over management responsibilities, under section 16 of the Housing and Planning Act 1986 (referred to throughout the report as section 16 funding). Some leaseholders have the right to buy the freehold of their homes, subject to certain conditions, and this right applies even where a block includes secure or assured tenants (the implications of this for the community gateway model are discussed more fully in chapter 4).

Despite the policy and legislative framework, and some evidence of a growing understanding of and commitment to certain aspects of tenant participation, recent research has also suggested that the development of tenant involvement is still “primarily reactive in character, rather than strategic or pro-active”, and that key challenges for the sector include “enabling tenants to become meaningfully involved in policy and strategy development.”¹⁶ The same report also suggests a need to ensure that the progress made in promoting tenant involvement in the local authority sector is not dissipated by stock transfer or the establishment of ALMOs, as a consequence of issues such as organisational capacity and new governance arrangements. This, and other research in the housing association sector, suggests that there is still much work to be done to deliver effective tenant empowerment.¹⁷

The government has emphasised that housing stock transfer, and the creation of ALMOs, should be used as an opportunity to improve the quality and extent of tenant participation.¹⁸ There is an emphasis on matching and extending the rights and opportunities enjoyed by tenants before the change of ownership or management (although in practice this has proved problematic in relation to the right to manage in the stock transfer context, because the Housing Corporation argues that it is not legally possible for prospective housing associations to agree to a contractual right to manage, leaving council tenants transferring to the housing association sector without this collective right).¹⁹

Despite the differences in the legal regime affecting the right to manage, the Housing Corporation is committed to promoting tenant involvement and to ensuring that housing associations provide opportunities for increasing tenant control, including the options of tenant management and ownership (see figure 2). In its tenant participation

15 DETR (2000b).

16 DTLR (2001b).

17 Housing Corporation (2001); Inside Housing (28/7/2000) page 5 – Nearly half of housing association tenants in England are dissatisfied with opportunities to become involved in managing their homes according to Housing Corporation research.

18 DTLR (2001a) and DTLR (2001c).

19 It is worth noting the inconsistency in public policy here, because ODPM’s housing transfer guidance states that although the statutory right to manage does not continue after transfer, “the transfer contract may include a contractual right to manage”.

policy statement *Making Consumers Count*, the Housing Corporation commits itself to highlighting the benefits of and promoting TMOs, and to supporting good practice in the establishment of TMOs within the existing housing association stock.²⁰

Figure 2

Objectives of Housing Corporation policy 'Communities in Control'

- Help encourage and involve residents in making decisions about investment in their housing;
- Give residents as great an opportunity as possible to take control if they want it and when it is appropriate;
- Enable communities to contribute to their neighbourhoods' future sustainability, to accommodate residents' priorities and to help develop links between other programmes and initiatives;
- Help develop knowledge, skills, capability and confidence of people, organisations and communities in their progress towards sustainability;
- Ensure that resident-controlled organisations provide a high standard of service to their residents;
- Encourage the use of different types of resident-controlled housing, particularly in areas of regeneration to contribute to the social and economic regeneration of local communities;
- Ensure that any process is underpinned by equality of opportunity for all people, such as ethnic minority residents or people with disabilities;
- Help develop services and information that are accessible to residents so that training and enabling strategies will remain viable in the long-term;
- Improve the knowledge and skills of housing association staff and their ability to involve residents, [beyond the standards normally expected through the Corporation's Performance Standards Framework*].

*Performance Standards framework now superseded by Regulatory Code & Guidance

The Housing Corporation has a dedicated funding regime to support and promote its 'Communities in Control' policy, known as 'Community Training and Enabling Grant'. Like section 16 funding, it is cash limited. Unlike section 16 funding, it is not automatically triggered when tenants give notice of their wish to examine the feasibility of tenant management; the Housing Corporation may exercise its discretion in deciding which projects to fund. To this extent, tenants in the housing association sector are at a disadvantage in comparison with their local authority peers.

A key element of the 'Communities in Control' policy is the promotion of options for 'community housing', or resident-controlled housing through stock transfer. While the Housing Corporation expects that the boards of newly established stock transfer organisations will normally follow the 'thirds' model (with a third of places taken by tenants, council nominees and independents respectively), the criteria for the registration of stock transfer housing associations acknowledge that there are circumstances in which it might be appropriate to have a majority of tenants on the governing body. This is permitted where in the opinion of the Housing Corporation:

- the governing body as a whole is competent and suitably skilled;
- it includes at least one third independent members;
- the housing association will focus on a single local authority area, but is not receiving a whole stock transfer, and if formed by partial transfer, will not become a dominant landlord in the local authority area.

²⁰ Housing Corporation (1998).

The Housing Corporation has registered a number of housing associations with tenants in the largest single group on the board (but one member short of a majority), and some with an absolute tenant majority board (although generally, in the latter case, as part of a group structure).

If the community gateway model as we describe it in the following chapters is to be applied in the housing association sector there will need to be some limited adjustments to the Housing Corporation's regulatory and registration framework. These focus particularly on the issue of tenant membership, and are addressed in chapter 5. However, in broad terms the community gateway proposals complement and support the 'Communities in Control' policy, and provide a set of tools and guidance that would support prospective housing associations in planning and delivering meaningful opportunities for community empowerment.

Community empowerment and sustainable social and economic development

The potential usefulness of the model also extends beyond the housing sector, in providing a new organisational approach that could be used to deliver strategies with a community regeneration focus.

In the national strategy and action plan for neighbourhood renewal the government spells out its vision that in 10-20 years time, no one should be disadvantaged by where they live.²¹ The government's Neighbourhood Renewal Unit oversees the delivery of this strategy, and delivers funding to the 88 most deprived local authorities in the country. The money, which includes the Neighbourhood Renewal Fund and Community Empowerment Fund, is channelled through 'local strategic partnerships' designed to bring together all relevant stakeholders in an area, and involve local people. The unit also oversees and funds 39 New Deal for Communities schemes, a neighbourhood management programme that is currently being piloted in twenty areas, and other programmes including the provision of neighbourhood and street wardens.

People living in social housing are disproportionately represented among those experiencing deprivation and social exclusion, and are a particular focus of the strategy. However there is also a recognition that, to be effective, regeneration strategies must focus on the 'whole' community, not just individual tenure groups, or indeed just residents. This is particularly important in areas where of low housing demand. A growing understanding of the importance of the 'local housing market' to effective regeneration underpins the government's recent decision to pilot Housing Market Renewal Areas in parts of the country experiencing severe demand problems. Holistic, cross tenure approaches are central to the housing market renewal programme.

In addition, the government also wants to promote more 'social enterprises'.²² These are businesses with primarily social objectives, whose surpluses are used principally to support those objectives, rather than being driven by the need to maximise profit for shareholders or owners. While the strategy is in part driven by recognition of the value of social enterprise to the neighbourhood regeneration and community empowerment agenda, it has a wider focus. The government believes the strategy can deliver wider economic objectives, for example by developing opportunities for markets which mainstream businesses overlook and by providing sustainable economic activity.

21 Cabinet Office (2001).

22 DTI (2002)

Other government strategies promote active citizenship and aim to increase the capacity of the voluntary sector to contribute to the delivery of better public services.²³

The community gateway model is consistent with these approaches in:

- Providing a framework that enables communities to take part in or take control of decision-making, where they want this and have developed the appropriate expertise.
- Exploiting opportunities to increase capacity within the community, by helping local people to develop their skills and expertise, take up job and business opportunities, and deliver services directly. Tenant and resident involvement in local management, ownership or service delivery organisations would be promoted through the community gateway.
- Supporting the development of not-for-profit businesses with primarily social objectives. The community gateway association is an example of such a business, which could potentially spawn other not-for-profit organisations set up to provide community focussed services and products, in the housing sector and beyond.
- Providing a model that would enable communities to address local requirements in a joined-up way, rather than focussing on single issues in isolation, such as poor housing or poor health. The neighbourhood management agenda seeks to provide better co-ordination and community control of services, and would sit well within the community gateway model.

To summarise, the community gateway model is consistent with government policy and, importantly, has the capacity to contribute to the achievement of government targets, not just for housing, but also in tackling social exclusion and increasing social enterprise. In areas where the community gateway model is being considered, local strategic partnerships should be consulted about how the model can fit with, and contribute to, the neighbourhood renewal agenda, both at an authority wide and local level.

Challenging preconceptions about community empowerment

In this introductory chapter we have argued that the community gateway idea is consistent with government policy for empowering communities and strengthening local economies, particularly in the country's more deprived neighbourhoods. However, we have also noted that practice in implementing tenant involvement has not always kept pace with national policy objectives. Some social landlords still have a great deal of work to do to develop effective arrangements for involving and empowering tenants.

Also, the case for community control and social enterprise is not always well understood outside the community development or voluntary sectors. The model may therefore present a considerable challenge to those responsible for policy formulation and service delivery (whether nationally or locally), and indeed also to tenants. There is likely to be considerable cynicism both about the real intentions behind the model, and also about the dependence on tenant action. This was demonstrated clearly by the focus groups carried out by the Institute for Public Policy Research (IPPR) for this study (figure 3).

²³ Cabinet Office (2002).

Figure 3

The community gateway – a tenant perspective

Focus group participants asked the question “How much say would tenants really have with a community gateway model (CGM)?” There were concerns, especially among those with previous experience of tenant involvement, that the CGM was good in theory, but in practice might be an empty exercise. Some raised questions about whether tenants would have real decision making clout. Past experience suggested that tenants may be consulted on particular issues, but often don’t receive feedback, and end up feeling that the decision would have been taken regardless of their involvement.

Source: IPPR Focus Groups

For this reason, a key feature of the community gateway model, and the guidance that it incorporates, is advice on marketing and communications. It cannot be assumed that the many good reasons for developing devolved approaches to decision-making will be widely understood and accepted. Those involved in considering whether to investigate the model will need to take time to understand it, and its far-reaching implications.

Traditional, top-down, approaches to local government and housing association governance and decision-making, strategic planning and business planning will need to change to accommodate tenant involvement both at the centre of the organisation and locally. There is an extensive literature on how to make tenant involvement work; organisations considering implementing the community gateway approach will need to understand the dynamics of tenant involvement in decision-making, as well as the mechanics.²⁴ Stakeholders will also need to develop their understanding of community development, and the broader community regeneration agenda. Traditional preconceptions and myths about tenant and community involvement may need to be debunked. The guidance contained in this report therefore emphasises the importance of ensuring that the organisation is both culturally and structurally suited to deliver community empowerment.

Winning staff support

Staff support for the community gateway approach will be essential. It will not be easy to deliver community empowerment commitments and organisational change unless staff are committed to the new approach. The model may, however, seem threatening, involving as it does the prospect of future organisational change and devolution of management.

It is therefore essential that staff and trade unions are kept informed and consulted at the earliest opportunity about the community gateway approach, particularly where it is linked to change of ownership or management. Concerns about job security and about employment and pension rights need to be addressed, and information provided about the role of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

The community gateway model does not break new ground in so far as staff security and rights are concerned. The stock transfer and ALMO sectors provide examples of the

²⁴ See note 26

way the new organisation can ensure that existing terms and conditions are protected, and pension rights retained. In the tenant management sector a range of approaches have been used to address the staffing needs of devolved organisations; these include:

- TUPE transfers, so that staff are employed directly by the new organisation;
- secondments, with staff employed by the host organisation; or,
- purchase of services by the TMO from the host organisation.

Similarly, new initiatives such as neighbourhood management and New Deal for Communities projects provide examples of new approaches to staffing community based organisations. In addition to the approaches mentioned above, these might include joint contracts of employment between the host landlord and local agencies.

At the earliest possible stage, staff should be provided with opportunities to meet officers from other areas who have been through stock transfer, or a change to arm's length management. Contact with staff employed by, or seconded to, community based organisations would also be beneficial, to help develop an understanding of the impact devolution might have.

The model has a number of potential advantages for staff in the social housing sector, and it is important that these are understood and publicised. Devolved decision-making can provide opportunities for local managers to develop their skills and expertise, by providing a more rounded and significant management role, and the community empowerment agenda can provide career development opportunities for all housing staff (for example, by encouraging neighbourhood management), as well as the scope for greater job satisfaction. Local authorities considering use of the model should ensure that staff are supported to take up these opportunities, and encourage a sense of ownership of the new organisation among staff as well as tenants.

What is the community gateway process?

The community gateway approach offers a way in which social landlords can build community empowerment into the selection and delivery of options for managing and investing in housing. While it applies particularly where there is an interest in establishing a community gateway association, the process would be of relevance in any social housing organisation seeking to increase resident empowerment.

The community empowerment strategy is of central importance to the community gateway process, and a model strategy statement is provided in the toolkit in appendix 3. In this chapter we describe the role and main features of the strategy.

The community empowerment strategy

The community empowerment strategy describes the way in which a social landlord will provide tenants and leaseholders with opportunities to increase their involvement in management and decision-making, both at a landlord-wide and local community level. It also sets out the practical and financial support available for community empowerment activities. It incorporates performance targets and an action plan for achieving them. It is a working document; each year it is reviewed, progress is reported to key stakeholders, and the targets and action plan are updated.

The document is of central importance to the landlord that adopts it. Within the community gateway association it is tied to the constitution, which requires the landlord to adopt, review and update the strategy.

The strategy should be developed in partnership with tenants; indeed, where tenant activists have the skills, resources and expertise, they are likely to lead its development. It will take account of the requirements of any existing TMOs, and groups already working towards tenant management. The strategy formulation process will run in parallel with the development of the landlord's business plan; the officers, tenants and councillors or board members involved in developing the strategy will need to consider the costs of the strategy and how it can be financed. The strategy will be reflected in the business plan.

Where a community gateway association is being established prior to consultation on the creation of an ALMO or stock transfer, the strategy will be developed at a very early stage, and will provide the basis of any commitments included in the offer to tenants. In this case, the strategy will have arrangements for promoting and sustaining the membership of the organisation, and for recruiting and training board members. It will address the links between tenant involvement in governance through the membership and the board, and the quality of wider tenant involvement arrangements, and acknowledge the importance of developing and sustaining tenant capacity.

A critical element of the strategy will be its focus on the local communities that make up the landlord's area of operation. This report refers to these as 'local community areas'.

The strategy will explain:

- how local community areas are defined;
- how the landlord will enable tenants and leaseholders in each area to examine options for involvement in or control of decision-making, through a process known as the 'community options study';
- the types of option available;
- an indicative timetable for starting work with each local community area (although this should not prevent tenants and residents organisations (TROs) from initiating community options studies sooner than planned where funding can be made available from internal or external sources);
- how community action plans will be used to implement the outcome of the community options study.

The community empowerment strategy is not distinct from other tenant involvement activities, but is a development of standard approaches to consultation and participation. It is likely to incorporate, or be linked to, other tenant participation policies. Similarly, community empowerment activities should be consistent with and contribute to the delivery of equality and diversity policy; for example in ensuring that tenants and residents organisations are representative of and accessible to all sections of the community.

Every social landlord is expected to pursue best practice in communicating with and involving tenants, and this is likely to include:

- standards and methods for informing, consulting and involving tenants;
- how and when consultation will take place, and the role that tenants can play in shaping policy and strategy, and in overseeing service delivery;
- guidance on matters such as how TROs will be promoted and resourced (including ongoing support for and liaison with established tenant management organisations (TMOs)), and the standards that they themselves are expected to achieve;
- how the landlord will promote equalities and diversity through tenant participation arrangements, and how tenants organisations will be encouraged and supported to address equalities and diversity issues.

Core standards for communications and consultation should be offered to all tenants, whether they come within the remit of the landlord or a TMO. Where TMOs exist, arrangements for monitoring their performance should address these core standards (see chapter 8 for a further discussion of performance monitoring).

The precise relationship between the community empowerment strategy and other documents will vary depending on whether the landlord is a local authority or housing association:

- Local authorities are required to have in place a tenant participation compact, which represents a formal agreement between landlord and tenants on structures, resources and standards for tenant participation. It is expected to address the full range of interaction between landlord and tenant, from the exchange of information and consultation, to opportunities for taking part in management and decision-making. The community empowerment strategy could sit alongside or replace the compact (and replace any existing tenant participation strategy) explaining the objectives of the compact and the way in which it will be implemented and reviewed. It would help develop the focus on devolving power to a local area.

- Housing associations are expected to “seek to make an agreement, developed in partnership with residents, setting out how they will be involved, consulted and informed, and how this will be resourced, measured, monitored and reviewed”.²⁵ They are also expected to have a tenant involvement action plan or equivalent, demonstrating how strategy on tenant participation is being implemented. For the community gateway association, the agreement could be built around the community empowerment strategy, ensuring that the option of tenant control is available. Associations are also expected to have a tenant involvement action plan or equivalent, demonstrating how strategy on tenant participation is being implemented. The action plan could be an integral part of the community empowerment strategy, demonstrating how the landlord intends to achieve it.

Because local authorities and housing associations are expected to consult and involve tenants as part of normal practice, a large part of community empowerment activity should be funded from existing budgets. But the government does allow local authorities to seek grant assistance with certain aspects of community empowerment through section 16 funding. These activities include:

- local options studies that enable tenants to look at ways of improving the quality of their involvement;
- funding for tenants wishing to pursue the right to manage.

In the housing association sector, community training and enabling grant is available, at the Housing Corporation’s discretion.

Under the community gateway model, community options studies and feasibility studies would become a significant area of activity, and mechanisms will be needed to fund them. In chapter 6, we describe ways in which funding for these ‘additional’ costs might be provided, which would also minimise dependence on external grant funding on a project by project basis. We are recommending the government to ensure that funding for community empowerment, from whatever source, is available in both sectors (local authority and housing association) on a comparable basis.

The importance of the local community area

Enabling local communities to become more involved in local decision-making is a key objective of the community gateway model. In order to plan for involvement in decision-making at a local level, the landlord needs to develop an understanding of where community boundaries lie, and to agree with residents how best to define these boundaries for the purposes of the community empowerment strategy and the business plan.

For some communities, neighbourhood boundaries may be obvious and well understood. In some areas, defining local community boundaries may be less straightforward. Although self-definition has obvious benefits for any strategy of community empowerment, it is unlikely that communities can be wholly self-defined. Local perceptions of neighbourhood can be determined by a range of factors,²⁶ and can raise difficult questions for the promotion of equality and diversity. There may be

²⁵ Housing Corporation (2002a).

²⁶ Maclennan (2000) provides an analysis of definitions of community; Cooper and Hawtin (1998) – Chapter 4 “An alternative perspective on the theory and practice of involving residents” by Charlie Cooper and Murray Hawtin examines the equal opportunities perspective.

disagreement within and between communities about where boundaries lie. Too many small communities may not be financially viable (see figure 4). There may need to be consistency with the boundaries already established for neighbourhood or housing market renewal.

We have not sought to recommend minimum and maximum sizes for local community areas, and suggest this is a matter for local discretion.²⁷ Setting the size of an area will be a fine balancing act between perceived community identity and operational coherence. However, experience has shown that enabling tenants to engage at the smallest possible scale usually delivers a stronger sense of community. It is recommended that the approach used for agreeing community boundaries be made explicit and subject to consultation.

Figure 4

Defining local community boundaries – deciding what is viable

In a local authority area with 8,000 council homes, while it is unlikely to be possible to make provision for devolution to areas with an average of 50 homes each (which would generate 160 local community areas), it may be possible to accommodate a small number of 50 home communities if the overall average size of local community areas is say 500 (generating around 16 local community areas). The precise position will depend upon the resources available within each community gateway association area, taking account of access to external funding.

While it will be necessary to have an agreed set of boundaries in place from an early stage, there is likely to be some room for flexibility once individual communities begin to examine their options. Business plans are evolving documents based upon a range of assumptions and forecasts. It may well be possible for a local authority or community gateway association to support alternative communities that emerge at a later date, whether within or across boundaries initially agreed. However, the initial statement of boundaries provides a base point around which plans can be made, and underpins any commitments to tenants.

In areas where a community gateway association is being established, the process of agreeing boundaries could play an important part in raising awareness about the new organisation and laying the foundations for community options studies. It would be a critical element of the initial preparations for developing the community gateway model, and should feature clearly in the marketing and communications strategy.

The community options study and action plan

The community options study will enable tenants and residents to examine the range of options available for improving the quality of their involvement in decisions affecting their homes and communities. A critical feature will be to engage a wide cross-section of the community in examining the options, including traditionally excluded and hard to

²⁷ Under the right to manage regulations, authorities are obliged to consider applications involving at least 25 units. Where a tenant management organisation is established for a patch of more than 2,500 homes, tenants are able to continue to exercise the right to manage for smaller parcels of stock within the umbrella of the main organisation.

reach groups. Each local community will be supported to identify priority issues for action, and to examine the range of ways in which tenants, and where relevant the wider community, can get involved in decision-making for the area. The study will then involve the production of an action plan setting out the key tasks and timescales for addressing community aspirations.

The way in which options studies are conducted, and the timetable for conducting them across the landlord's area of operation, will be influenced by a number of factors, including:

- extent of tenant participation/tenant management activity already taking place in any given area;
- availability of in-house and/or external specialist agency staff to carry out the programme;
- availability of resources to fund the process (discussed in further detail in chapter 6);
- whether and when the area is programmed for stock or environmental improvement works, or wider regeneration.

Some authorities may already have carried out extensive options study work with local communities, and have a solid platform for delivering the community empowerment strategy. Others may need to consider how to roll out a programme of studies across the entire stock. The issue of organisational capacity and development needs is examined in chapter 7.

The community options study and action planning process is not intended as a once only activity for any given community. An important feature is that local communities should be supported to develop their expertise and involvement over time. Communities that have previously examined their options, and are working in a particular way should be offered the opportunity over (say) a five year period to review their position and potentially reconsider their options. In some cases, communities may wish to take the lead in reviewing options with limited external support. It is a feature of the constitution that communities can initiate a request to develop tenant management or tenant ownership arrangements. This type of activity would be an indicator of the success of the community empowerment strategy.

Figure 5

What do tenants want a say in?

The focus groups carried out by IPPR for the study found consensus among tenants that they should have a say in decisions affecting their homes, environment and local community. Priority issues included:

- housing matters – improving the quality of repairs, tackling anti-social behaviour, and involving tenants in deciding allocations policies;
- improving community facilities and the quality of the local environment – providing facilities for young people, improving the quality of local transport, and boosting investment in the area;
- community safety – providing secure communal entrances, CCTV, better street lighting, a police or warden presence, and secure storage facilities.

Source: IPPR

A menu of options for involvement and control

A key feature of the model is to offer tenants choice. A second, important feature is to support tenants in developing their expertise and skills for self-governance or management over time (staircasing). So, for example, communities that decide initially to establish a tenants and residents association, and negotiate an estate agreement with the housing service and a range of other service providers, might in due course wish to assume greater responsibility for overseeing certain services. This might involve establishing formal mechanisms (such as a local community panel or committee) for involving tenants in monitoring and reviewing local service delivery, and/or in some local decision-making. Alternatively, it might involve tenants deciding to take up the option of a tenant management feasibility study. Ultimately, for tenants that have successfully managed their estates, it might involve examining the viability of a move towards tenant ownership, whether through leasehold or freehold arrangements.

The range of options is considerable and we do not attempt to detail them all in this report (although figure 6 provides an overview of the types of option available). There is a range of sources of advice and best practice which should underpin any decision to pursue the community gateway process.²⁸ Critically, landlords, specialist training agencies and tenants' representatives will need to keep themselves informed of the guidance that exists on involving tenants and their communities, to ensure that information and advice can be made widely available.

Figure 6

A menu of options and tools for local involvement and control					
Type of structure/ organisation	Level of Influence				Type of agreement with landlord
	Consultative/ advisory	Power sharing	Control but not ownership	Control and ownership	
Individual involvement	✓				Local compact Estate agreement Tenants Quality Promise
Residents' association	✓				
Consultative panel	✓				
Joint advisory panel	✓				
Panel/board with limited delegated responsibility		✓			Statement of delegation Management agreement Service level agreement
Estate management board		✓	✓		
Tenant management co-op			✓		
Tenant controlled housing association				✓	[Tenant controlled body is landlord]
Ownership co-operative				✓	

Based on diagrams by CDS Housing and the Housing Corporation²⁹

28 DETR (1999a) provides a reading list of good practice sources, as does the TPAS website [www.tpas.org.uk]. Good practice information is available through HouseMark and the Housing Corporation Bank of Good Practice, and the Corporation's Race Equality Toolkit. The Neighbourhood Renewal Unit website [www.renewal.net] provides good practice on wider community regeneration and neighbourhood management. Forthcoming guidance from the CCH for the Housing Corporation will provide information on setting up community-controlled organisations.

29 Housing Corporation/OPM (1999).

The focus of local decision-making need not be solely on landlord services (or where relevant other related community services managed by the community gateway landlord), and could include services delivered by other agencies. Local decision-making structures might involve other residents alongside community gateway tenants, including home owners, private sector tenants and tenants of other social landlords.

For example, in some areas, tenants and authorities might want to assess the scope for establishing groups with a broader community regeneration focus, perhaps to oversee a neighbourhood management approach. In such circumstances, all residents, and not just social housing tenants, should be involved. There could be scope for establishing new community based service delivery vehicles in partnership with other service providers, with tenants and residents playing a leading role in governance. The community land trust model might provide a suitable delivery vehicle, whether or not the ownership of housing remains with the original landlord.³⁰ It is recommended that the community options study process is used to determine local consultation and decision-making arrangements, with solutions tailored to fit local needs.

As a minimum, community gateway landlords should undertake to support tenants in seeking to develop tenant and resident-led organisations with a broader (i.e. beyond housing) remit, acknowledging however that the viability of such approaches will depend upon the willingness of other agencies to support partnership arrangements, and upon the availability of funding.

How would devolution work?

Devolving management responsibilities to a local community organisation is just one of the options on offer through the community gateway approach. The take-up of tenant management in the council sector has been very limited, despite the right to manage, and the views of tenants involved in the focus groups for this study suggest that the appetite for tenant management is limited.³¹ It is, however, necessary to comment briefly on how the devolution process would work outside the local authority sector, because while take-up may be limited, the principles involved are likely to be a matter of concern to funders and the Housing Corporation, as well as to tenants organisations considering the possibility of tenant management.

The devolution process

The devolution process within the community gateway model is based upon, though not identical to, the right to manage that applies to council tenants, and would be enshrined in the community empowerment strategy. The right to manage provides a well established framework for testing the feasibility of tenant management, helping tenants prepare to manage, carrying out tests of opinion at key stages and testing the competence of the shadow TMO, and this approach would continue to operate for council tenants.³²

For housing associations devolution would not be statutory, but it could be incorporated within the community gateway association's rules, and could also form part of the stock transfer offer, to provide additional comfort to tenants. In addition, the Housing

³⁰ Housing Corporation (2002b).

³¹ TMOs cover less than 3% of the total housing stock in England – see ODPM (2002b).

³² DETR (1998).

Corporation could have to grant consent to proposals to devolve management to tenants. This would help to provide reassurance to funders, and the Corporation itself, that any change of management would not prejudice the viability of either organisation. Applications for consent could be made at the final TMO development stage (see the model community empowerment strategy for further information about the key stages of the devolution process).

'Staircasing'

Tenant management can take a range of forms, involving responsibility for a limited portfolio of service areas, or for the full range of services provided to a community. Under the community gateway approach, tenants wishing to become involved in management for the first time would be encouraged to concentrate on a limited portfolio of service areas in the first year or so of operation. The range of activities taken on by TMOs could be extended over time, subject to satisfactory performance review and, where appropriate, further tests of competence. On the other hand, tenant management organisations that are unable to meet performance standards, or which no longer wish to carry on, would be enabled or required to opt back into management by the landlord. A process for this would be incorporated in the model management agreement.

TMOs could also be encouraged to consider co-opting individuals onto their management committees with particular skills and expertise, where this would help to demonstrate competence for new areas of activity (particularly high risk areas, such as the management of major works). Such co-options should be at the discretion of the TMO committee.

The community ownership option

Ultimately, under the community gateway model, tenants would be able to explore the option of taking over the ownership of the housing stock within the local community area. The range of funding options and legal structures that would be available for a transfer of ownership is examined more fully in chapter 6. This section of the report concentrates on the process that would be needed to evaluate the transfer option.

The transfer of ownership is only likely to be viable for tenants organisations with a track record of successful management, and would be subject to a series of tests, including the financial viability of becoming a stand alone organisation and the competence of the prospective board. It is proposed that two tests of opinion are held; first to decide whether or not to develop a transfer proposal, and second to vote on the proposal itself. Depending on the level of provision incorporated within the community gateway association's business plan (see chapter 6), feasibility study and development costs may need to be funded principally through section 16 grant (for local authorities) or community training and enabling grant (for associations). It should be noted that a group's ability to pursue the ownership option may in some cases be dependent on availability of grant.

A decision to explore options for tenant ownership would involve an initial feasibility study, to examine the range of skills and expertise required within the organisation, and the funding and legal implications of transfer. The costs of the development process would also be examined, and a bid for funding made. Where the study suggested that transfer could be viable, there would be an initial test of opinion of all affected tenants to judge support. Leaseholders' views should also be sought, although reported separately from those of tenants. Only if there was preliminary support from the majority of affected tenants would detailed development work begin.

The development stage would operate in a similar way to the preparations for any other stock transfer, and would mean engaging key stakeholders, including funders, the Housing Corporation and the wider body of tenants. However, funders will also want to be reassured that the shadow tenant ownership organisation is able to satisfy Housing Corporation regulatory requirements. The viability of the organisation would be tested by the Corporation through the registration process, and transfer would also be subject to a further tenant ballot. Again leaseholders' views would be sought, but the tenants' ballot would determine whether or not transfer could proceed.

Leaseholder enfranchisement

Leaseholders within the local authority and housing association sectors have the collective right, in certain circumstances, to buy the freehold of their homes. This right is contained in the Leasehold Reform, Housing and Urban Development Act 1993 (as amended by the Commonhold and Leasehold Reform Act 2002), which requires (amongst other things) that at least one half of the flats in the building are occupied by leaseholders. It should be noted that any transfer of ownership (or indeed management responsibility) would not affect this right, which would still apply. If enfranchisement went ahead, the landlord (which could be the local authority, the community gateway association, or a new tenant-controlled housing association or co-op established through the devolution process) would be legally obliged to take leaseback of properties let under assured or secure tenancies, and would continue to be the landlord of those tenants. It is technically possible that tenants seeking to set up a tenant management organisation could fall within a community where leaseholders wish to exercise their enfranchisement rights. The community gateway association would need to ensure that both stakeholder groups (i.e. tenants and leaseholders) are aware of the range of options available to them, but also that they are encouraged to pursue solutions that meet their potentially competing requirements in a collaborative and constructive manner.

The main features of a community gateway association

The community gateway association is a not-for-profit organisation set up to receive a transfer of ownership or management responsibilities from the local authority. It could be used in either a whole stock or partial stock context. The main features of the association are these:

- Under its constitution, the association is obliged to have in place and operate strategies to secure the widest possible involvement in the organisation, and to promote and provide opportunities for increased tenant control.
- The association could be an industrial and provident society or a company limited by guarantee, and it could be a freestanding organisation or part of a newly formed or existing group structure.
- Tenant board members could make up the largest interest group on the board. In whole stock transfers, this would normally involve tenants holding one less than a majority of board places. In certain partial transfers or transfers to group structures, an absolute tenant majority may be judged viable.
- Tenant board members are selected either by all tenants of the organisation, or by the tenant membership.
- The association will seek to achieve high levels of tenant membership and to have a majority of tenant members.
- Tenant members could have a role in approving independent board members, or selecting them from an approved slate (depending on the geographical remit and role of the organisation), and would receive key documents and reports, including the board's annual progress report on the implementation of the community empowerment strategy.

Objectives of a community gateway association

The objective of empowering tenants and leaseholders is one of the distinguishing features of the association, as made clear within the organisation's rules (see part A in the model rules in appendix 3).

However, in other respects the organisation's objectives would be indistinguishable from any other social landlord, and would focus on the provision of housing and other associated facilities and services to meet housing and other related needs. This could potentially include the provision of new social housing, or involvement in demolition or remodelling programmes, where the community gateway association has the expertise and capacity to deliver these activities, and can add value to the work of housing associations already active in the area.

The community gateway organisation would also play a key role in delivering wider local authority strategic objectives, for example in promoting community well-being, and diversity and equalities objectives. As noted throughout this report, the community gateway association is likely to have a particular relevance in areas where neighbourhood regeneration is a priority.

The constitution and legal structure

The community gateway association is a not-for-profit organisation set up to receive a transfer of ownership or management responsibilities from the local authority. The organisation operates for the benefit of the community.

The objective of empowering residents is central, and the constitution contains provisions setting out how community empowerment will work. Under the model rules provided with this report,³³ the association is obliged to have in place and operate strategies to secure the widest possible involvement in the organisation, and to promote and provide opportunities for increased tenant control. The constitution also establishes an obligation that the association responds to requests to devolve power, subject to tests of competence and viability.

The community gateway association could be an industrial and provident society (IPS) or a company limited by guarantee (CLG). The IPS is the form of corporate body traditionally used to establish housing associations and co-operative organisations, and it is the model that has been developed for inclusion in the toolkit with the report (appendix 3). However, a community gateway association could equally be constituted as a CLG, and this could offer some advantages in terms of constitutional flexibility, particularly where different constituencies require a guaranteed level of representation at member level. An analysis of the advantages and disadvantages of the two constitutional forms is contained in Figure 7.

Figure 7

Advantages and disadvantages of the IPS and CLG models	
Industrial & Provident Society	Company Limited by Guarantee
Advantages	Advantages
<ul style="list-style-type: none"> • Traditional, familiar form of constitutional structure • Financial Services Authority has statutory duty to ensure IPS does not change its rules to undermine its 'not-for-profit' objects • Presentational advantage of not being termed a 'company' and therefore not suffering 'profit-making' connotations • If charitable, exempt from registration with Charity Commission • Presentational advantage of being able to assure tenants that, once they purchase a share, they have no further liability as shareholders. 	<ul style="list-style-type: none"> • Currently most popular form of constitutional structure for stock transfers in England (since the local housing company model became available for registration with the Housing Corporation in 1996) • Flexible structure which can be adapted to regulate the various interests of different constituencies, and allow 'open' membership • Comparatively cheap and quick to set up.
Disadvantages	Disadvantages
<ul style="list-style-type: none"> • Constitutionally inflexible (e.g. 'weighted' or 'class' voting unlikely to be permitted by FSA) • Principle of 'one member, one vote' makes 'open' membership difficult if membership is extended to non-tenants (i.e. the council and 'independents') • Comparatively expensive and difficult to set up. 	<ul style="list-style-type: none"> • Still a 'company' in name and therefore susceptible to 'profit-making' connotations (even though incorrect) • If charitable, must register with Charity Commission • Presentational disadvantage in that tenants who apply for membership must agree to contribute to the assets of the company in event of winding up, although their liability is usually limited to a nominal sum (in this case, 10 pence).

³³ The model rules are produced for the stock transfer context. They would need adaptation for use as an arm's length management organisation.

Organisational size and structure

The community gateway association model is intended to be flexible and capable of adaptation for use in a wide range of circumstances. This includes flexibility over the size of the organisation, and in deciding whether the transfer should involve the creation of a stand alone organisation (or in the case of ALMOs, boards or committees) or a group structure.

Presently, the government's housing transfer and ALMO guidelines specify that generally no more than 12,000 properties may be transferred to a single housing association or managed by a single arm's length management body. However, changes of management or ownership involving more than 12,000 homes will be considered where a strong case can be made: group structure arrangements involving the transfer of ownership or management to two or more distinct organisations are one possibility.

The community gateway association could be used to create both free-standing organisations and new group structures for whole stock transfer or arm's length management, as well as to provide partial stock solutions.

The formation of a new group structure may be judged appropriate to provide local accountability in authorities with substantial stock numbers, where a single, coherent strategic framework is also required. Arguably, however, given that the remit of the organisation is to devolve power to smaller, community focussed organisations, a group structure may be less relevant in the community gateway context. Authorities may be able to make a successful case for transfers of more than 12,000 homes to a single community gateway association, particularly where plans for local devolution are well advanced, and where it is clear that the association's main role will be to support a number of local community organisations.

Partnerships with existing housing associations

In some cases the best arrangement might be for a community gateway association to establish a partnership with an existing housing association or group. Partnerships can vary widely, from joint working arrangements between two independent organisations to the formation of group structures between new and existing housing associations. Figure 8 provides details of the range of partnership arrangements that might be considered, both in an ALMO and stock transfer context.

Authorities may wish to examine the particular role that a community gateway organisation might play in the context of neighbourhood management and/or stock rationalisation plans. Where arrangements are being developed to create community controlled organisations as part of neighbourhood management plans, the community gateway association, or a community-controlled organisation managing its stock, could potentially be in a strong position to co-ordinate or deliver management services to tenants of a number of social landlords within an area.

Stock transfer to an existing housing association group

Where an authority is considering stock transfer, it is current ODPM policy that tenants should be offered more choice in relation to the prospective new landlord. This could include the choice of transfer to an existing housing association or group. Transfer into an existing group can offer potential advantages; in particular:

- to give economies of scale (e.g.) in procurement and central services;
- to achieve VAT savings if services that would otherwise be purchased external to the community gateway association can be procured from group members;
- to benefit from the housing association's/group's existing infrastructure, expertise and, possibly, extending business opportunities (e.g. managing stock owned by other group members);
- benefiting from borrowing facilities and/or subsidy from reserves.

Although transfer into a group may bring advantages, there is a significant potential disadvantage – that the community gateway association is under the ultimate control of another body. While there are mechanisms available to limit the use of such controls, maximising the day to day operational independence of the community gateway association, ultimately the authority of tenant members and the board would be subject to the requirements of the group.

Figure 8

Advantages and disadvantages of partnerships with housing associations		
Type of partnership	Advantages to CGA	Disadvantages to CGA
Purchase of services	Gains economies of scale without losing independence	In a transfer, unlikely to bring any major resource advantages
Development and delivery of joint strategies for an area	Can be involved in more complex initiatives as CGA and housing association can concentrate on their areas of expertise	
Management by CGA of existing housing association stock in its area (for example as part of neighbourhood management arrangements)	Could improve financial viability and make neighbourhood management more effective	Reliant on housing association to allocate resources (e.g. if its stock needs investment) while CGA has to tackle day-to-day problems
Housing association developing new / refurbished homes for management by CGA	Should improve financial viability and make neighbourhood management more effective	
Housing association developing new / refurbished homes for leasing to the CGA	As above, but gives CGA long-term tenure and the direct landlord/ tenant relationship. CGA can be freestanding with the housing association exercising necessary controls through the lease terms	
CGA joining an existing housing association group structure	VAT savings and direct borrowing support; access to group's resources and expertise	Being in a group structure means the CGA is under the ultimate control of another body (i.e. it is a subsidiary of a group parent which is an housing association)

The profile of the board

Control of the community gateway association lies ultimately with the board, which is responsible for directing the affairs of the association. Key rules of the organisation can be changed only with the approval of three quarters of the board.

In accordance with the ethos of the community gateway model, tenants (including leaseholders) should control a significant share of board places. The conventional model for stock transfer and for ALMOs involves the 'thirds' approach, with tenants, council nominees and independents each holding a third of board places. However we are recommending that under the community gateway model, authorities should consider the scope for involving tenants as the largest single group on the board, holding one less than a majority of board places, and ask the Housing Corporation to facilitate this. Local authority nominees would hold a proportionately reduced share of seats. It is a requirement of the model that independent board members would hold a third of board places, to help ensure that the board is equipped with the full range of skills and expertise required to run the business. This is a model that has already been used for partial stock transfers, and for transfers involving newly formed group structures.

If this approach is to work, considerable emphasis will need to be placed on building capacity among tenants for the board membership role, and to support and train those who are elected. Local authorities would need to invest more resources than may typically be the case in raising awareness among tenants about the nature of board membership, encouraging potential candidates to come forward and providing pre-election training and advice.

Ultimately, in making the case for boards with tenants holding one less than a majority or, in those circumstances where the Housing Corporation allows it, holding an absolute majority, associations will need to satisfy regulators and funders that the board will provide capable leadership and control, that it has a sufficient range of expertise (taking account of the remit and size of the organisation), and that it will manage the organisation's affairs effectively. The community gateway association will also need to demonstrate that its board is representative of the community it serves, and that its board membership policy addresses equalities issues. The board should also include individuals with expertise in community empowerment.

As noted above, a community gateway association could potentially be established with a remit that extends beyond the provision and management of social housing, and may serve a customer base that extends beyond council or housing association tenants and leaseholders. While the model provides only for membership by tenants and leaseholders, it may be appropriate in certain circumstances to reserve one or more board places for other residents. Consideration would also need to be given to the involvement of residents as members (see below).

The selection of board members

The arrangements for selecting board members contained within the model rules seek to achieve a balance between providing a meaningful role for tenant members (this is discussed further below) and ensuring that ultimate control of the association rests effectively with the board.

There is a range of ways in which this balance might be achieved, and the model rules provide a number of options. These are as follows:

- Tenant board members could be elected by all tenants of the community gateway association, or by the tenant membership only.³⁴ The model rules contain the proviso that if elections are to be conducted from within the membership, and it includes no more than 25% of all tenants, the board may open up elections to all tenants.
- Independent board members could be selected by the board subject to approval by the membership, or elected by the membership from a slate approved by the board. The model rules incorporate both options.
- Local authority board members could be selected by the local authority independently of the membership, or in consultation with the membership. Given that the community gateway association anticipates a significant role for tenants through the membership, and provides the possibility of tenants holding more than a third of board places, local authorities may want to retain absolute control over their nominees, and the model rules accommodate this.

A board membership policy would describe arrangements for selecting each category of board member, and for ensuring that the board has the full range of skills and expertise required.

The successful operation of the community gateway association will depend, to an extent, on the ability of the board and the wider membership to maintain effective working relations. This will particularly be the case in selecting independent board members. While the membership will rightly want to play a part in scrutinising and, where appropriate, challenging the recommendations of the board, it is important to try to avoid confrontation. If the board is unable to carry out its business because, for example, agreement cannot be reached on the selection of independents, the regulator is likely to intervene. This is clearly something to be avoided.

Membership

The members of the community gateway association are its owners. They have certain rights and responsibilities, including the right to receive information, play a part in selecting board members, and approve any changes to the rules (although certain rules can be amended only with the approval of three quarters of board members). The role of members could also be enhanced by inviting them to participate in consultation exercises on policy development and review. Members are the custodians of the organisation, ensuring that its objectives are adhered to. They have an obligation to act in the interests of the association.

The community gateway association is likely to adopt a membership policy that explains:

- the role and responsibilities of members;
- the rules on eligibility for membership;
- how it will seek to promote membership among all sections of the community, and to increase membership levels;
- how it will seek to ensure that the profile of the membership reflects the profile of the community.

³⁴ While restricting the election process to tenant members only would add to the benefits of becoming a member, such a restriction could impact on the accountability of the organisation where membership levels remain low; a CGA with very low membership levels would in effect offer the wider body of tenants less involvement in selecting board members than is offered by conventional housing associations.

The community gateway model places great emphasis on achieving high levels of tenant and leaseholder membership, in order to increase the sense of ownership of the organisation within the community, and to increase accountability and representation. Unlike the community mutual model, membership is not automatic or presumed; it was considered important, as well as legally necessary, that tenants 'sign-up' to become members to foster the sense of ownership. When the organisation is initially established, a membership drive is vital. This will raise awareness of the new organisation and promote understanding of its accountability to the community. Arrangements for signing-up members will need to be simple and straightforward, using a standard application form, with the price of shares kept to an absolute minimum (the model rules suggest 10 pence). Once started, the organisation will continue to promote tenant membership.

In some circumstances it may be a good idea to open up membership to residents and other community representatives. But this does have implications for decisions that relate solely to the landlord function, where tenants should have more say. It would be technically possible to limit certain decisions to certain categories of member, although this may be difficult to manage. An alternative, which would fit with the model rules provided with this report, is to establish consultative and decision-making arrangements that involve all residents, regardless of tenure (whether at local community level, or association wide) but not to open up the membership to non-tenants or leaseholders of the community gateway association. This may work particularly where there are other community based regeneration agencies which provide a forum for private sector resident involvement. In such cases, the community gateway association would establish links with these agencies, ensuring that all sections of the community can become involved in decision-making.

Figure 9

Membership of the community gateway association

Membership can be open only to tenants, or could include leaseholders. While it could potentially include other residents and representatives of corporate bodies, the model rules are designed to create a body owned by tenants, and do not allow for wider community involvement in the membership. However, this community involvement could be achieved in other ways.

Where the membership is open to others, certain decisions could be limited to tenants, provided that potential regulatory difficulties are overcome.

All adult tenants (including joint tenants) of the association may become members, and must buy a 10 pence share to become a member.

In its promotional work, the community gateway association will need to be explicit about the role of members. While technically the role is specified in the rules as that of receiving key documents, appointing auditors, playing a role in the election of board members, and participating in votes at general meetings (which may include voting to change to rules of the organisation), in communicating the value of membership to tenants, the association will need to emphasise the importance of custodianship and accountability.

There may need to be a relaxation of the Housing Corporation registration guidance to accommodate a tenant majority among the membership in the stock transfer context.³⁵

For an ALMO, it is not currently possible to open up membership to tenants, as the guidance presumes that the organisation will be 100% controlled by the authority.³⁶ A change in policy would be required to allow for tenant membership, and given that this would have fundamental implications for the nature of an ALMO, further consideration will be needed as to whether tenant majority membership is appropriate.

Inspection and regulation

We recommend that arrangements for regulating and inspecting community gateway associations are similar to arrangements that currently apply to ALMOs or housing associations, as appropriate. The alternative, of establishing a new, dedicated regulator for the community gateway sector, which was considered as part of the study, is judged inappropriate.

For arm's length community gateway associations, regulation would in part be by the local authority, in accordance with the terms of the management agreement. Additionally, community gateway associations would be subject to the Best Value regime, with its associated powers for Secretary of State intervention in the case of service failure, and to inspection by the Housing Inspectorate.

Within the housing association sector, community gateway associations would be part of the Housing Corporation's regulatory regime, and the new inspection regime, in the same way as any other association.

In both sectors, regulators and inspectors may need to develop their skills and competencies to provide an oversight of the community empowerment regime, if it moves beyond conventional approaches to tenant participation. This will involve developing an understanding of the indicators of success and of failure in community empowerment, so that action can be taken where associations fail to deliver their commitments or the promises made to tenants.

Indicators of poor performance may be difficult to identify. For example, take-up of devolution may be low because a landlord has failed to promote or resource it adequately, but the landlord may argue that this is simply due to tenants' preference for the traditional landlord/tenant relationship. Indeed, there may be areas where tenants are not keen to become more involved in management. Thus the examination, and comparison, of landlords' performance in this respect will need to be thorough, ongoing, and based upon a well-rounded picture of levels of tenant activism, involving feedback from tenants and tenant board members during inspection, as well as an evaluation of strategy documents and monitoring reports.

Figure 10 provides an example of the indicators of success in implementing community empowerment. Indicators of failure would be the reverse of each.

³⁵ The Housing Corporation's Guidance for applicants seeking to become housing associations (1998) states that "general and governing body membership should be at a level which prevents changes in the constitution being promoted solely by a single interest group", although it should be noted that any significant changes to the CGA rules would have to be approved by a 3/4 majority of the board.

³⁶ DTLR (2001c).

Figure 10

Empowering communities: indicators of success

A comprehensive community empowerment strategy is in place, incorporating programmes for working with each local community area to develop community capacity, promote devolution, and consider the options available. The CGA can show that this has been developed in consultation with residents.

All tenants are provided with information, and periodic reminders, about the empowerment options that are available, and how they can trigger work to consider these options in their communities.

Measurable community empowerment targets are in place both for the landlord as a whole, and in relation to individual communities, against which progress is monitored and which are regularly reviewed.

The CGA reports regularly to board members and periodically to all tenant members on its progress in delivering the strategy.

The CGA can provide details of completed community options studies and action plans.

The CGA involves tenants across its area of operation in planning, monitoring and reviewing service delivery arrangements and in setting and monitoring service standards.

The CGA involves tenants across its area of operation in formulating maintenance, repair, refurbishment and redevelopment plans, and community regeneration activities.

The CGA has in place a range of mechanisms/structures for consulting and involving tenants at a local level, details of which can be provided (e.g. numbers of tenant & resident organisations (TRO)s, consultative forums, TMOs of varying types, etc).

The CGA resources tenant involvement with the provision of specialist staff, budgets to support TROs & TMOs, and funding for training and development programmes.

The CGA operates recognition and accreditation criteria to ensure that TROs & TMOs meet defined standards, and these include standards for promoting equalities and diversity.

Membership of the CGA is promoted, and targets are set for expanding that membership year-on-year and for ensuring that the membership is representative of the wider community.

The CGA provides a comprehensive training programme for tenants, staff and board members to support and facilitate all aspects of the community empowerment strategy.

The CGA records high levels of satisfaction with tenant involvement arrangements expressed through surveys, in comparison with peer group organisations.

Few, if any, complaints are received by the landlord or ombudsman about the handling of consultation exercises or failure to progress tenant management.

Complaints are acted upon promptly and effectively, and remedial action is taken where appropriate.

Ensuring the community gateway association delivers devolution

When considering a change of management or ownership involving a community gateway association, tenants will want to understand how they can ensure that their new landlord or management organisation delivers the commitments made to empower communities. There is likely to be a concern both with the enforceability of the rights of individual communities, and with broader arrangements for ensuring that the associations deliver their strategic objectives.

In both the ALMO and housing association sectors, the constitution will provide the central mechanism through which the devolution process can be enforced. In addition to providing a constitutional obligation to adopt and deliver the community empowerment strategy, the model rules require the association to consider applications to vary management arrangements. The association is obliged to delegate responsibilities or transfer assets where tenants have demonstrated their competence and the association is satisfied that the change would not adversely affect financial viability, and other consents have been obtained.

The tenant membership and board members are the key to ensuring that these obligations are honoured and that local communities are able to get involved in the control of their homes and areas as far as they choose. Each year members will receive a progress report on the implementation of the community empowerment strategy, and will be involved in setting targets for the coming year. Of course tenants play a big role on the board, and can ensure that offer commitments are adhered to. Indeed, since the organisation is established with the very purpose of promoting empowerment, with sufficient financial provision to do so, we would expect that few landlords will wilfully refuse to provide opportunities for tenants to get more involved.

If constitutional obligations are not honoured, arrangements for enforcing them will differ for the local authority and stock transfer sectors:

- **Stock transfer associations**

In the stock transfer sector, a potential enforcement route would be through the transfer agreement covenants between the local authority and the community gateway association at the time of transfer. These could include contractual provision for the devolution process (as spelt out in the community empowerment strategy), and would be enforceable by the authority on behalf of a group of qualifying tenants. Although such covenants provide a mechanism that is typically put in place during transfer to protect tenant and local authority interests, in practice covenants relating to devolution may be difficult to enforce. It could be difficult in some circumstances for a third party to prove that a community gateway association has failed to deliver an element of the devolution process, or to 'enforce' aspects of the community empowerment strategy, particularly where questions of the competence of the tenants group are at stake.

The most robust and practical option for ensuring that community gateway associations deliver is through the Housing Corporation's regulatory framework.³⁷ Only the Corporation would have access to all the information needed to make judgements about whether an association's performance is adequate, and the Corporation has wide powers to intervene where an association fails to meet standards. However, the Corporation would need to take account, specifically, of the special nature of the association's empowerment commitments. To assist this process, we recommend that in the case of community gateway associations, the regulatory plan incorporates consideration of performance against community empowerment strategy targets (which will be a core element of the association's annual report), so that landlords who fail to deliver are identified. If, in the Corporation's judgement, associations do not meet minimum standards, and have no acceptable plans to improve, the Corporation can then 'actively intervene' using the range of mechanisms available.

³⁷ In the light of the recent ODPM announcement about future inspection arrangements for the housing association sector, the Housing Inspectorate is also likely to have a role to play in examining how well CGA objectives and targets are delivered.

- **Arms length community gateway associations**

For ALMO tenants, the community gateway association will be bound to honour the terms of a management agreement with the host local authority. This agreement is likely to include performance targets, which could incorporate commitments on community empowerment, as well as specific management responsibilities. Failure to meet these requirements would allow the local authority to take action. Ultimately, the management contract could be terminated.

In any case, groups of council tenants have a statutory right to manage, as well as access to section 16 grant assistance from the government.

It is also worth noting that through its Housing Transfer Guidance, the ODPM expects authorities to consider carefully how a transfer proposal from a tenant organisation might be accommodated. This assists tenant organisations who want to consider setting up a tenant-controlled organisation to receive a transfer from the local authority.

Introduction

Business planning is the process by which an organisation sets its vision and objectives, and turns them into measurable targets – including financial targets. Business planning is now established in both local authority housing and housing associations.

In developing a community gateway association, whether as an ALMO or for transfer, it is therefore necessary to consider the business planning implications both for the new organisation and for the local authority which (other than in the case of a whole stock transfer) will retain an HRA and an HRA business plan.

Some of the costs of community empowerment can be contained within existing housing management budgets, but there are likely to be some extra costs, because the landlord will be working more intensively with tenants, and actively encouraging them to consider devolution. Some costs, such as those associated with community options studies, will be relatively easy to predict and quantify. But the costs of devolution will be harder to predict or quantify at the time when a new organisation is established. Consequently, one of the major business planning challenges for creating a community gateway association is to find ways of building in the funding of future devolution. The association will want as much flexibility as possible (which probably means the same as funding) built into the business plan. However, the local authority, the Housing Corporation and ODPM (on behalf of the taxpayer) will not want to see funds built in that may not be needed.

Similarly, in setting up the funding and infrastructure for the community gateway association on day one, the organisation will want to keep open the option of a currently unforeseeable level of devolution.

It is important, however, to distinguish between the need to develop any CGA business plan with a local, and especially neighbourhood, focus and the question of anticipating how future devolution may grow. Any CGA business plan (whether for an ALMO or transfer) will need to have a strong neighbourhood focus, regardless of how devolution develops over time. This is because, as we have suggested, community empowerment and addressing social exclusion require a local focus.

In this chapter, we consider both how the current system of local authority and housing association business planning could accommodate the formation of a community gateway association and address these issues. We also identify policy changes that could make the formation and development of a community gateway association an easier, but nonetheless value for money, option for the taxpayer.

HRA business planning and the creation of an ALMO

Every local authority landlord has to have a Housing Revenue Account (HRA) business plan – covering management, maintenance and capital investment. The HRA business plan stays in place even if an ALMO is set up; the local authority is still the landlord and all the funding for the ALMO's operation will come through the council (including

income from rents). Most particularly, the extra financial support for borrowing will come via the HRA, and, for the foreseeable future, borrowing for the ALMO investment programme will be by the local authority, not the ALMO.

The local authority, in delegating its management responsibilities to the ALMO, enters into a management agreement. Under current ODPM procedures, a 'delivery plan' is appended to the management agreement. The delivery plan is, in effect, the business plan of the ALMO. It includes, for example, the ALMO's objectives, its Best Value and Decent Homes Standard targets, the fee arrangements, staffing and IT structures and quality assurance standards.³⁸ The management agreement and delivery plan are key documents for the ODPM in deciding whether to grant consent³⁹ to the delegation of management by the local authority to the ALMO.

At any one time, there will only be one HRA business plan for an authority as the HRA is indivisible. However, if there is more than one ALMO, there will be a separate management agreement and delivery plan for each. The fact that, underlying the funding of the ALMOs, is a unified HRA financing (and, most particularly, subsidy) system means that, in deciding its investment and service delivery strategy, an authority needs to look at its overall financial position and the effects on its HRA business plan as a whole.⁴⁰

The management and maintenance allowance figure used in the calculation of an authority's HRA subsidy position (which is the amount that ODPM thinks the authority should spend on these functions) is a per dwelling figure set for the authority as a whole for the year. However, if part of an authority's housing stock goes to be managed by an ALMO, it may not be able to reduce some of the costs of managing the stock it retains in line with the loss of income from the rents. Certain costs are fixed (e.g. some office and IT costs) so, while income is lost from managing the stock, the costs stay the same.

At present, authorities that create ALMOs for, or transfer, part of their housing stock are not compensated (by an increase in management and maintenance allowances or otherwise) for these losses of economies of scale. In turn, this would mean that there would be no compensation for an ALMO if part of its stock subsequently goes to be managed by a TMO.

Housing association business planning for stock transfer

Any stock transfer housing association will need a business plan in order to achieve Housing Corporation registration (if it is a new body) and to obtain funding. The form of the business plan will broadly follow the principles described above. However, the financial element will be specifically geared to demonstrating long-term viability (usually over 30 years).

Viability is measured by forecasting income and expenditure, and the surpluses and deficits that arise in each year. Deficits (which invariably arise in the early years after transfer) have to be covered by borrowing, with interest not being repaid in the early

³⁸ Full details are given in the DTLR (now ODPM) *Information on Arm's Length Delivery Plans* (March 2002).

³⁹ Under section 27 of the Housing 1985.

⁴⁰ At the time of writing (October 2002), ODPM is consulting on options for changing the HRA financing system. The options included in the consultation paper (*The Way Forward for Housing Capital Finance*, ODPM 2002a) are potentially radical and could include abolition of the management and maintenance allowance system. No timetable has yet been given for announcing the results of the consultation or the introduction of any changes.

years but instead being added onto the outstanding loan. Over time, a viable transfer housing association business plan shows income rising, annual surpluses being made, and the debt beginning to fall and being repaid within (generally) 25 to 30 years after transfer. Lenders will wish to be satisfied that the housing association's income will begin to exceed spending within a reasonable period so that the outstanding loan will start to fall and be repaid by the due date. They will want to test to what extent adverse changes in assumptions (e.g. costs rising faster than anticipated) would put off repayment.

They will also want to be sure that the underlying value of the housing association's assets provide sufficient security for the loan (i.e. that the loan outstanding at any point does not exceed a given percentage of the value of the stock bearing in mind that it will be largely tenanted and therefore, unlike with a normal mortgage, the value of the security is likely to be far below the open market vacant possession value). These viability tests are generally on the whole of the housing association's business, not on individual parts. So, some parts of the stock may provide more net income (i.e. income less spending) or more loan security than others. Lenders generally will not mind about this as, other than losses of stock through the right to buy, the housing and other assets will remain within the landlord's control into the future. In settings where this is not the case (e.g. where large scale demolition is required), they will want to look more closely at the component parts of the business plan. This issue is, of course, potentially relevant to a community gateway association, where, at a minimum, some income used to cover the community gateway association's costs, or assets on which loans are secured, may in due course need to be passed on to a tenant-led body. However, this process has to some extent been accommodated by funders in some existing stock transfers involving group structures which have been structured to permit secondary transfer. The process from a funder's perspective would not be significantly different.

The commitments made to tenants on developing a community gateway association have business planning implications whether through the ALMO or transfer route. Changes are therefore needed to both the HRA and transfer housing association business planning systems to accommodate this.

The ALMO route

As we have noted, the funding of the ALMO is inextricably linked with the HRA funding system, and that is undergoing a major review. The ODPM's consultation paper includes radical options for restructuring HRA finance. These include reducing local authority housing debt down to a level serviceable by net rent income and providing local authorities with a capital grant based, rather than revenue subsidy based, system. Both of these options would, in effect, put local authorities on a similar subsidy basis to housing associations. Transfer housing associations buy the local authority stock at a value supportable from net rent income. Housing association development is funded by social housing grant, an up-front capital grant.

Both these options would provide an ideal, and much improved basis, for funding ALMOs in general and community gateway associations in particular. In the first instance, they would allow the prospective community gateway ALMO and the local authority to negotiate a business (delivery) plan that would be submitted to ODPM as part of the consent procedure. That business (delivery) plan would, among other things, show the level to which debt would need to be reduced (or the level of capital grant required) to achieve viability on the basis of the agreed package. However, if the new

system allowed this calculation to be revisited at a later stage, many of the problems about how to anticipate financially the future shape of devolution would be avoided. As the ALMO developed with tenants the programme of devolution, it would be able to resubmit a business (delivery) plan to the local authority (and thereafter to ODPM) and this would quantify any further debt reduction/grant needed to accommodate additional costs, such as those for further community empowerment or to accommodate loss of economies of scale.

Assuming that the new system used a net present value calculation (as with stock transfer valuations) ODPM could reasonably expect the 'bid' for extra funding to show that (for example) losses of economies of scale would be managed-out within (say) five years.

Thus, the more radical options included within the ODPM consultation paper are to be greatly welcomed within the context of the community gateway model and the creation of community gateway ALMOs.

If the government opts for a less radical option, for example, retaining a revenue based subsidy system, scope should be introduced for either increasing management and maintenance allowances to accommodate the financial effect of a community gateway association ALMO devolving management, or a system of separate allowances for community gateway ALMOs should be introduced (for example, there would be a defined percentage increase in an authority's management and maintenance allowance if a community gateway ALMO was formed). Under the less radical options, the government could also include additional borrowing support for community empowerment within each authority's ALMO allocation – effectively capitalising some of these costs – which may be of financial help to many authorities. Targets for implementing the community empowerment programme would be included within the ALMO business (delivery) plan.

Business planning in stock transfer

When considering the business planning and funding implications of forming and developing the work of a community gateway association, it is helpful to consider separately the issues that arise:

- before or at the point of transfer including the pre-ballot period; and
- after transfer.

Pre-ballot and pre-transfer funding

Tenant Empowerment Grant (section 16 funding) directly from ODPM could be made available to fund a range of activities in the pre-ballot period, such as:

- work to involve tenants in the strategic options/investment appraisal, where it is clear that tenants will be empowered to make choices, and the authority will act on the outcome;
- work on the development of the empowerment strategy;
- work on the definition of neighbourhoods.

This would be consistent with the plans, currently being developed by the Department, to extend the remit of section 16 funding to support tenant involvement in the strategic options appraisal process, and in developing structures for tenant participation that would be adopted after a change of management or ownership.

Alternatively, in the case of prospective stock transfers in negative and low value areas, part of the costs incurred following a decision to develop a community gateway association could be covered by dedicated ODPM funding to cover set-up costs. The CIH has recently made the case for dedicated ODPM funding for a range of pre-ballot and pre-transfer costs including capacity building and tenant and staff training.⁴¹

Valuations

Prior to transfer, one of the central financial issues is agreeing the valuation (purchase price) of the stock. As this values the stock as a 'going concern' social housing business, the price will be affected by the level of costs and income assumed over the normal 30 year period forecast. As income will largely be from rents, and this will be determined by the social housing rents system, the main issue for the community gateway association is the level of costs allowed in the valuation. We may assume that a community gateway association, at least in the first instance, will be more costly than a conventional transfer housing association. This is because, by definition, it will be working more intensively with tenants than a typical landlord to develop community empowerment which will involve provide support, training and other practical facilities to tenants. The community options study process will also have costs.

This means that, for a given housing stock, the value to a community gateway association will be lower than that for a traditional housing association. If community gateway associations are to develop, then, both local authorities and ODPM will need to accept lower sales receipts. In the case of highly positive value stock (i.e. where the proceeds exceed housing debt and transfer-related costs) this means that the authority and central government (via the transfer levy) will have to be willing to forgo income. For positive value transfers needing overhanging debt funding, this means more funding is needed from central government. For negative value transfers, extra funding will be needed either from central or local government.

Under current transfer valuation rules, costs over and above what are deemed reasonable management and maintenance costs (by reference both to the authority's current costs – with a supplement to reflect the additional costs of running an housing association – or by appropriate housing association benchmarking) cannot generally be included in the valuation.

Greater flexibility should be allowed in the transfer valuation methodology to include both one-off and recurring costs of community empowerment. As an incentive to local authorities to develop community empowerment, those that agree to fund community empowerment through the valuation could be exempted from the transfer levy, or, alternatively, could pay it at a lower rate such their net receipt is no lower than it would have been had these costs been excluded from the valuation.

It should also be borne in mind that the valuation carried out under government rules and the valuation carried out for lenders may generate different answers (because lenders may consider it reasonable to use different assumptions about income and expenditure). It is possible that while the costs associated with the community gateway model may be excluded from the purchase price calculation, they could be included in the valuation for lenders where the circumstances of the transfer make it prudent to do so. Provided the revised lender's valuation still provided adequate security for the lender, and represented a prudent commitment for the community gateway association, the funding requirement could potentially be incorporated in the business plan.

⁴¹ CIH (2002).

Funding future devolution

In discussing the future of HRA finance, we have suggested that, under a new system involving capital grants or debt reduction, local authorities should be allowed to revisit the subsidy calculation at the point at which further devolution is proposed. A similar approach could be adopted for CGA transfers. Community gateway housing associations should be able to seek funding (possibly via the Housing Corporation's Tenant Empowerment Grant) to refinance their business plans to accommodate the costs of community empowerment work and further devolution. The Corporation is likely to want to provide any grant assistance on a match funding basis. Access to such funding could also be linked to the extent to which the association had exploited opportunities for raising resources for community empowerment without access to the public purse; for example, by using the 5% tolerance available within the rent setting system, or where the association has outperformed its business plan, by using any surplus this creates to finance community empowerment.

An alternative or supplementary approach might be to modify the approach commonly adopted to sharing right to buy receipts, (and other land sale proceeds) between the local authority and the transfer housing association. This agreement aims to compensate the business plan of the association for the loss of the contribution of the dwelling sold. It could be modified to anticipate the similar effect of losing income from dwellings whose management is transferred to a tenant-led body. For example, the housing association could be allowed to retain a higher proportion of each receipt if it is within that year progressing a defined level of devolution. More simply, the sharing agreement could be suspended if the housing association reaches a defined stage of achievement on community empowerment and devolution, thus allowing the association to keep all the proceeds. This would provide a financial incentive to the association although it would mean less income for the local authority, and so may need to be backed by some compensation to the authority through the housing investment programme or revenue subsidy systems.

Private finance and lenders' issues

As we have noted, a transfer housing association and its lenders will have two principal concerns about the financial effects of devolution:

- that it may undermine the viability of the transfer housing association by reducing rental income without a proportionate reduction in costs either at all or within a reasonable period;
- that it may dilute the lenders' security and therefore compromise the association's ability to meet asset cover covenants (i.e. the ratio of the value of the association's assets to the loan outstanding).

These issues will be relevant at any time but are likely to be particularly crucial in the first ten years after transfer as, typically, the debt of the organisation is still rising in that period and it is still undertaking the improvement programme promised in the original offer. The viability/cost reduction issues are likely to apply whether a transfer of management or ownership arises. The loan security issues only arise if ownership is transferred either freehold or on a long lease.

The viability/cost issues may to some extent be anticipated in the original structuring of the transfer housing association (both organisationally and financially). However, as we suggested in the introduction to this chapter, the transfer association's business plan will

need to have a strong neighbourhood focus, regardless of how devolution specifically develops over time.

The business plan could be constructed as the aggregate of a series of defined neighbourhood business plans, with central costs being shown as fees or recharges to the neighbourhoods. Each of the neighbourhoods could also have its own notional funding model which would show which are positive value and which negative (the latter generally meaning that a dowry is required to ensure a fundable loan repayment profile). The community gateway association would be the only borrower in the first instance but this would provide a means of identifying any significant variations in fundability across the stock. Sensitivity testing could show the effect of devolution of one or more neighbourhoods at various points in the life of the business plan. This would show the scope for and feasible speed of devolution to neighbourhood level. Subsequent devolution that fitted within the agreed business plan sensitivities would be able to proceed, subject to agreed other criteria (e.g. relating to tenant competences). Devolution to a lower level, or at a faster pace than anticipated, would be discretionary.

Out-performance of the business plan would release funds that could potentially be used to support tenant empowerment, and (possibly) to attract match-funding from the Housing Corporation. Where business planning is conducted at a local community level, the community gateway association could 'ring-fence' an element of any surplus for local empowerment activity, providing incentives for local communities to get more involved in and achieve improvements in housing management performance.

Accessing loan finance

Lenders are interested in the governance and management of housing associations, and therefore they will have questions about any new models. Lenders already fund transfers (and new development) by tenant-led bodies. However, the community gateway model is a further development on from existing models, so it makes sense to anticipate possible concerns of funders. These could include:

- a community gateway association is effectively controlled by its members who under this model would be exclusively tenants and leaseholders;
- the model contemplates devolution of management to local tenant-controlled groups or organisations;
- the model contemplates the option of transfer of assets.

Below we address these points in the order set out above.

Control by members

The board composition of the housing association will be similar to a normal transfer association board – comprising tenants, independents and council board members – although the model assumes that higher levels of tenant involvement will be the norm. The difference is that members of the housing association could be involved in the appointment of independent board members (see chapter 5). In our view there is no obvious reason why this in itself should cause lenders concern.

There might be more concern about the potential ability of the members to remove any board member from office. Depending on the constitution adopted, tenant members could have the ability to remove board members. This may be of concern because it means that the tenant members of the association technically control the board and

board members who are seen to be taking decisions which are not in tenants' interests (e.g. voting for rent increases) could be removed. Consequently, the model rules proposed for use with this report do incorporate some limits on members' authority in this respect. In relation to the removal of board members the rules incorporate a provision that where three quarters of members wish to resolve to remove a board member, the support of a three quarters majority of board members would also be needed.

In addition, we would expect lenders to draw comfort from the fact that the organisation will be registered with and regulated by the Housing Corporation and that there will be independent members on the board with appropriate skills.

It is a common term in stock transfer loan agreements that lenders will be notified or, in some cases consulted, prior to any change in the identity of key individuals, usually listed as including the chair, chief executive, finance director and sometimes others. These appointments are not normally subject to consent but even so this requirement often attracts the attention of board members as potentially threatening the association's independence.

Other than the points raised above, we would not expect the issue of tenant membership and control necessarily to deter lenders where there is a sound business plan and the organisation is clearly viable. However, it may be the case that lenders will require closer monitoring and control over the CGA's affairs. These would include tighter restrictions on the way in which the association runs its business – restrictions on borrowing and disposal of assets are likely to be towards the stricter end of the spectrum. Financial covenants might be tested more frequently – perhaps every quarter – rather than only annually which has become the norm in recent years. There may also be less scope to negotiate grace periods and materiality in relation to events of default as lenders will want to be sure that they would have the ability to step in at the first signs of difficulties.

Devolution of management

Devolution of management will be of less concern than devolution of assets as it does not reduce lenders' security. However, it should not be assumed that lenders will have no concerns. They will be concerned at the extra management costs that devolved management may bring, and will expect to see this reflected in the business plan. A further feature of a transfer (and indeed any housing association and any borrower) about which lenders are concerned is the quality of the management team and the way in which the business as a whole and the housing stock in particular is managed and maintained. Where there is the possibility of local devolution of management lenders will be concerned as to whether the overall quality of management will be maintained. Lenders might seek to address this concern through additional monitoring requirements and possibly additional covenants in the loan agreement in relation to any neighbourhoods which were being managed independently of the CGA. For example, they might require quarterly reports detailing matters such as levels of voids and rent arrears. They could also require to be satisfied about the condition of the stock on a more regular basis. Stock condition surveys are normally only required every five years at the same time as a full valuation, with desktop valuations only required annually. There is potential for lenders to reserve the right to call for more frequent stock condition surveys or possibly for the annual valuation to become a full valuation rather than a desktop. Once the local management organisation has demonstrated its competence these requirements might be relaxed. Any requirements of this nature will of course have cost implications.

As noted above, it is proposed that Housing Corporation consent should be required where devolution of management is proposed, and this will provide additional comfort to lenders. The Corporation will wish to ensure that appropriate performance monitoring arrangements have been put in place, as well as ensuring that the association's board is satisfied about the viability of the devolution proposal.

Lenders are also likely to look for some additional controls following devolution, such as the community gateway association having the right to step in and sort out problems and possibly take back the management of any neighbourhoods which are not being competently managed. Again, it is proposed that this would be a standard feature of the management agreement between the community gateway association and the TMO. This replicates features of some housing association group structures where lenders effectively see the parent association as the first step to dealing with non-performance issues. As noted above, provided lenders have confidence in the management team that is responsible for the community gateway association, this should not be a difficult issue.

As for devolution through transfer of assets, devolution of management may well have cost implications both for the devolved bodies and for the main community gateway landlord. The potential to benefit from economies of scale may be lost through decentralisation while the general overheads of a number of smaller neighbourhood organisations are likely to exceed those of running a single centralised housing association by itself. It is possible, of course, that these costs will be offset by efficiency gains realised through more responsive and effective management e.g. lower levels of rent arrears, fewer voids and shorter re-let periods. However, funders will want to be reassured that the likely cost implications have been fully reflected in the business plans of the main housing association and the devolved bodies. As noted above it may be possible to anticipate these issues in the initial business planning.

Transfer of assets

Lenders will always want to exercise ultimate control of the devolution (i.e. disposal) of assets as the assets will form part of their security.

A typical stock transfer loan agreement will normally permit release of charged properties from the security subject to various conditions. Typically these conditions would include:

- there has been a recent valuation which satisfies the lenders that the asset cover ratio will be satisfied following the withdrawal;
- a revised business plan has been provided which shows that the rental income from the remaining charged properties will be sufficient to service the remaining debt over the term of the loan;
- all financial ratios will continue to be met following the withdrawal;
- there is no existing event of default or potential event of default;
- the properties to be withdrawn constitute a representative cross section of the overall charged properties in terms of age, condition, property type etc. This is to prevent cherry picking of the best properties to be withdrawn leaving the lenders with poorer quality properties.

Looking at these requirements in the context of a CGA we can see that certain difficulties may arise:

- The neighbourhood organisation to which part of the assets are to be transferred would presumably itself be borrowing in order to repay part of the main community gateway association's debt. The new neighbourhood body will, therefore, need to be

viable on its own with a business plan capable of satisfying lenders. The properties to be transferred to it will need to be capable of providing adequate asset cover and the income from the charged properties to be transferred will need to be sufficient to repay the debt. The difficulty may be that the neighbourhoods with which tenants identify may not necessarily coincide with a selection of properties which would in themselves form the basis of a viable business.

- The traditional requirement that properties to be released leave the lenders with a portfolio having the same characteristics as the original portfolio may be difficult to satisfy. It is likely that a particular neighbourhood with which tenants identify will have a concentration of properties of a particular age or type. It is unlikely that the original loan agreements will forego this requirement. But when considering a subsequent transfer lenders are likely, in practice, to be willing to review the changed nature of the remaining property portfolio and to agree revised terms and conditions that reflect the changed security, provided that they are satisfied with the fundamental viability of the new neighbourhood organisation and of the property portfolio that remains with the community gateway association.
- The fact that part of the debt of the original housing association would be repaid may have implications for treasury management. It will be difficult to predict at the time of original transfer which tenants in which neighbourhoods may subsequently wish to have their properties transferred to a new organisation. This means that it will be impossible to know with any certainty what amounts of the loan may need to be repaid and when. This will mean that if the main housing association fixes the interest rate on its borrowings for the medium or long-term repayments of part of the debt may involve the breaking of fixed rate loans with the possibility of breakage costs needing to be paid. Where the transferee is financed by the same lenders as the original housing association it may be possible for some of the fixed rate loans effectively to be transferred across to the new association, but where new lenders become involved this is not likely to be possible. However, it may be that the breakage costs can be offset through the fixed rate package agreed with the new lender.

None of these issues is, in principle, insurmountable. They are best addressed by considering the reasons why lenders have concerns which, in many ways, will coincide with the concerns of the community gateway association itself and of tenants generally. The community gateway association and the devolved bodies that it supports will want to be viable and sustainable. They will want to meet their commitments and to be well regarded.

There may be a number of mechanisms for funding the transfer of assets from a community gateway association to a devolved body. Such a body would, under Housing Corporation rules, need to be a housing association. Transfer of ownership could be freehold or on a long lease. If a freehold transfer takes place, the devolved body would either have to secure its own funding or, if it wanted to benefit directly from the borrowing power of the community gateway association, it would normally have to be part of a group structure involving the community gateway association. As with any housing association, a CGA could only on lend (i.e. borrow money and then pass it on to another borrower) if it had ultimate control of the body. Normally, this would be achieved through the devolved body being set up as a subsidiary of the community gateway association. An agreement between the community gateway association and the devolved body would define the (limited and extreme) circumstances in which the main association could step in. The decision whether this is the right route would depend on the financial advantages of being able to utilise the community gateway association's borrowing power (i.e. lower cost finance) weighed against concerns about ultimate control.

Under current government rules, a lease option would allow the community gateway association to fund a freestanding devolved body (ie one that is not a subsidiary of the host landlord). This would be achieved by the community gateway association developing the housing and retaining the freehold. The devolved body, as a leaseholder, would be the landlord and would pay the community gateway association a rent which would have to be enough to service the community gateway association's debt on the housing. The lease would give both parties rights and responsibilities, but, in effect, the community gateway association's protection against the devolved body mismanaging the asset on which the loan is secured would be enshrined in the lease. It should be noted, however, that leasehold transfers are not favoured by the ODPM, who say they prefer to see transfer taking place on a freehold basis.⁴²

While the number of social housing lenders has decreased as the market has become more specialised, the level of lending to housing associations continues to rise. There is nothing endemic either in the funding system or the attitudes of funders to suggest that the funding of a community gateway association, and the support of a business committed to empowerment, is not feasible.

Community gateway associations within existing housing association group structures

In some settings (e.g. where there is the need for a major redevelopment programme and/or stock restructuring due to changing demand) there may be benefits in a community gateway association being developed as part of an existing housing association group. This may allow the association to benefit from cheaper borrowing and/or more easily weather the cashflow fluctuations of a major demolition programme.

As we have discussed above, allowing one housing association to pass on funding benefits to another requires either a group structure or a lease arrangement. These and other advantages and disadvantages of partnership between a prospective community gateway association and an existing housing association or housing association group are summarised in figure 8 in chapter 5.

Other business issues in addressing future devolution

As with business planning, systems in a community gateway association (particularly IT) would need to be established as a series of integrated, neighbourhood based systems in terms of general accounting. Typical housing association housing management and maintenance systems should in any event be capable of disaggregation to block level, allowing at least some delegation of management to smaller scale tenant-led bodies.

Volume procurement and partnering arrangement (generally covering the building works programme but potentially also other areas of purchasing) should anticipate that devolved bodies may wish to continue benefiting.

Again, many of these issues will be relevant to the structuring of any housing association which aims to have a community or neighbourhood focus.

⁴² DETR (2001a).

Achieving parity in the housing association and council sectors

It is proposed, above, that community gateway associations should be enabled and encouraged to make provision for a core element of community empowerment costs within the business plan.

We have also proposed that mechanisms are found to allow for the periodic review of progress against community empowerment targets, and where these are being achieved, to allow community gateway associations to make further provision within their business plans after a given period of time (with an injection of funds from a range of possible sources).

If this approach is not adopted by the government, it is important that alternative provision is made to give housing association tenants access to the community empowerment funding. As noted in chapter 2, while council tenants have 'automatic' access to section 16 funding (subject to certain criteria, and the fact that the section 16 budget is cash-limited) for TMO feasibility studies, where a right to manage notice has been accepted by the local authority, housing association tenants' access to community training and enabling grant is dependent on Housing Corporation discretion. This limits the strength of commitment that can be made to fund post transfer community empowerment work in the stock transfer sector. In order to support the community gateway model approach, the ODPM and Housing Corporation need to address this disparity between the sectors, for example, by top-slicing community training and enabling grant funds to provide a budget for section 16 type work in the housing association sector.

An overview

This chapter provides an outline of the tasks that authorities and tenants will need to undertake to establish a community gateway association. Detailed guidance on setting up stock transfer organisations and arm's length management organisations is available from the ODPM and the Housing Corporation.⁴³

With the community gateway model, there will be a considerable investment of time and resources in the pre-ballot stage. This is necessary to ensure that the organisation is founded on tenant involvement, and officer and member support, and that a sense of ownership from each of these stakeholder groups is fostered from the outset. The timescales involved in this initial period are likely to be longer than is the case in the typical stock transfer or ALMO (see the case study example at figure 11).

Following a test of opinion, however, there is no reason why the timescales to achieve the change of management or ownership should not be the usual ones. In stock transfer, the timescales would need to reflect government policy, which stipulates that authorities should complete transfer within around six months from the tenants ballot (although a period of up to twelve months will be considered for more complex urban transfers).⁴⁴ In ALMOs, authorities face the pressure of establishing the new organisation at the earliest opportunity, in order to trigger the inspection that will in turn determine whether or not the authority will qualify for additional resources.

Figure 12 opposite provides an overview of the way that the process might work. It should be noted that the timing of work with local communities can be flexible, depending upon authorities' circumstances. In some areas, authorities may already be actively carrying out community options studies across all or part of their stock, and the establishment of the new organisation could run alongside the community focussed operation. This would provide a solid foundation for the business plan. In other areas, authorities may not have the organisational or financial capacity to focus on community options studies in parallel with the establishment of the new association, and may need to programme community options studies to begin or continue after transfer. The model has been designed to accommodate a range of different circumstances.

Figure 11

Case study example – Preston Borough Council

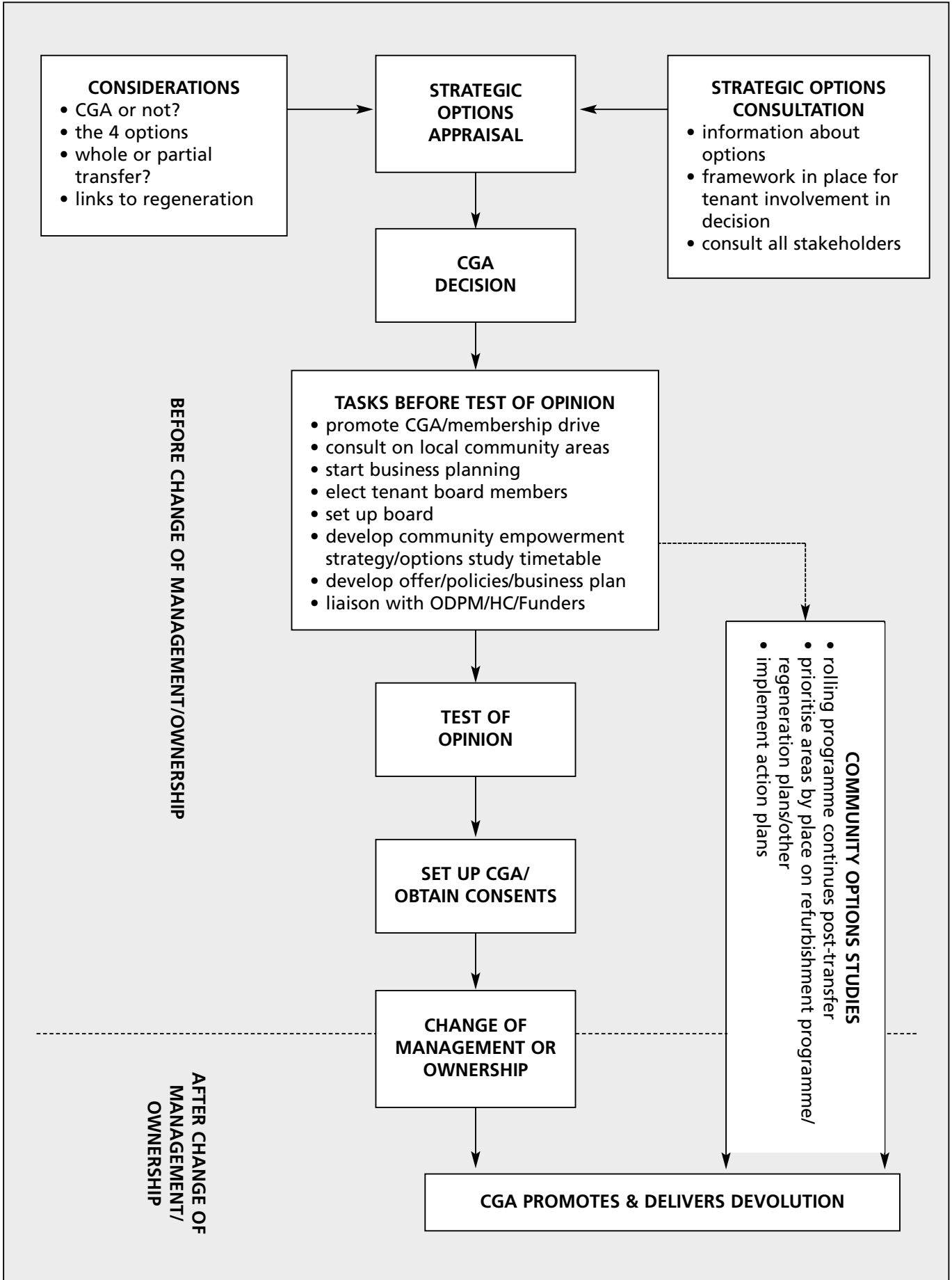
Preston Borough Council owns around 7,700 homes, three quarters of which do not meet the Decent Homes Standard. The council has been exploring strategic options with tenants, and having looked at the feasibility of stock retention, and the potential of PFI, ALMOs and stock transfer, the council has concluded that stock transfer is the only way of meeting the Decent Homes Standard and tenant aspirations. The council became aware of the community gateway model proposals,⁴⁵ and ran two workshops on the model for tenants, councillors and staff. Workshop participants concluded that the model would better meet the needs of Preston, and the objectives of tenants, than conventional transfer models. In September 2002, the council announced its intention to develop transfer proposals using a community gateway association, with the aim of applying for the 2004/5 transfer programme. The council consciously decided not to seek transfer in 2003/4 to allow time to develop robust proposals on an area basis, working with tenants who will be supported by independent advisers.

43 DTLR (2001a); DTLR (2001 c); Housing Corporation (1998); Housing Corporation (1999).

44 DTLR (2001), paragraph 11.36.

45 Mutuo (2001).

Figure 12: Setting up a CGA – an approach



We turn now to examine the main stages involved in establishing a community gateway association.

Initial decision to develop the model

We recommend that authorities carrying out a review of strategic options for the future of the housing service should examine the community gateway model alongside other options.

All stakeholders involved in the options appraisal process will need information about the model and its implications, alongside technical information about each of the four strategic options; stock retention, stock retention with PFI, arm's length management and stock transfer. The government is encouraging authorities to ensure that tenants have access to independent advice during the strategic options appraisal process. The government should also encourage authorities to examine the community gateway model, in consultation with tenants.

In order to facilitate tenant involvement in the decision-making process, the authority may need to review tenant involvement arrangements, and to begin work on a strategy for developing and improving tenant participation. This will be essential if the decision is taken to develop a community gateway association.

If there are potential benefits in stock transfer or arm's length management, and there is interest in the community gateway model, authorities will need to consider how the new association might be structured, and whether the involvement of an existing housing association or housing association group is to be considered. An early decision on this issue will be important where a community gateway association is being considered, to ensure that discussions about the accountability and independence of the new organisation can take place with any potential partner organisations. This decision will need to take account of the likely role and remit of the organisation, and the scale and complexity of the improvement and regeneration programmes that it will be involved in delivering.

At this stage, a view should also be taken on the structure of the board, and the extent of tenant influence that will be viable; for example, should tenants be in the largest group, or hold an absolute majority. The range of skills required by the board will also need to be considered. These decisions will again depend upon the size, role and geographical remit of the organisation. For example, an organisation that is likely to become involved in delivering regeneration, demolition or new build programmes will need board members with experience of these activities and with the expertise to manage the risks involved.

The decision to adopt a community gateway approach should also be taken in the context of the authority's broader community strategy, and regeneration programme. There may be considerable potential benefits in the development of the community gateway approach to support neighbourhood management and regeneration initiatives. An examination should be made of the scope for accessing neighbourhood renewal funding to support the work of the new organisation.⁴⁶

⁴⁶ Proposals for cross-sector regeneration funding are included in CIH (2002).

Developing organisational capacity for community empowerment

The decision to establish a community gateway association is likely to result in major organisational change. This is in addition to the fundamental change necessitated by stock transfer, or the establishment of an arm's length company. A change management plan will be required that addresses staff consultation, support and development needs, and also the specific requirements of the community empowerment agenda.⁴⁷ The community gateway approach may give rise to particular concerns about job security, and the implications of working in an environment where tenants are involved in decision-making, whether locally or centrally. Information for staff should specifically address these issues, tackling issues such as confidentiality of personal information, the role of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE), and the package of rights that the new employer will offer (see chapter 3). The Community Housing Task Force is available to support and advise local authorities on these changes, and should consider specifically how it can support authorities wishing to pursue the community gateway approach.

Authorities will also need to review the staff structures and skills required both in the short and long-term to deliver community empowerment, and to accommodate the possibility of devolution (this is in addition to addressing the organisational requirements of the new landlord organisation):

- short-term: to carry out initial marketing and communications work, consultation activities, and capacity building work;
- long-term: to provide a permanent resource to promote and deliver community involvement, carry out community options studies and tenant management development work, and support and monitor tenants organisations.

This review will also need to take account of the availability and cost-effectiveness of specialist external agencies that could provide support with tasks such as communications and marketing, staff and tenant training, community options studies and tenant management feasibility and development studies. Authorities are likely to need a combination of in house and external resources to deliver the development programme. Providing existing staff with the opportunity to develop their skills, in order to provide a specialist in house resource will be important. In addition, authorities and tenants could examine the scope for applying new procurement techniques to the recruitment of independent agencies. Partnering approaches are likely to be well suited to the demands of a long-term community empowerment programme, and would help both client and contractor to plan for and resource the programme.

The ODPM could play a role in promoting understanding of the community gateway model among agencies approved to carry out community empowerment work (with section 16 funding), and in examining the capacity and development needs of the sector if it is to help service the new approach.

Authorities considering the community gateway approach should also consider the scope for generating employment opportunities for local residents. Many social housing organisations have exploited the opportunities provided by investment in housing and community regeneration to create job and training opportunities.⁴⁸ The community gateway process will create similar opportunities, which tenants may themselves wish

⁴⁷ Community Housing Task Force/National Housing Federation: Good Practice Briefing Note Number 2.

⁴⁸ CIH (2002); National Housing Federation (2002).

to be involved in addressing. For example, one of our case study authorities is examining the feasibility of providing training, so that tenants can themselves take up the employment opportunities that will be generated through the community empowerment programme (figure 13). More generally, there are examples of social housing organisations that have successfully trained and recruited tenants and other local residents to carry out survey work. The role of existing tenant activists in providing mentoring and support for new groups should also be examined.

Figure 13

Case study example – Preston Borough Council

Preston Borough Council has decided to develop stock transfer proposals involving a community gateway association. It is, however, concerned that the resource demands of developing the association with high levels of community based tenant involvement will overstretch the existing market of advisers. It is therefore examining ways of establishing accredited training packages for tenants who are interested in working with other tenants, and tenant organisations, to support the development of the new association and area based community involvement.

Communications strategy

Any major strategic change should be underpinned by a communications strategy. This is particularly the case with the community gateway approach. The strategy should include:

- An initial audit of current communications arrangements.
- Developing the identity and name of the new organisation.
- Agreeing the key messages of the communications strategy, and ensuring that all staff are trained to deliver these messages. Members and tenant activists also need access to training.
- Using a wide range of mechanisms to convey the key messages.
- Identifying the strategy's audiences – these will extend beyond tenants, leaseholders, members and staff, to include other opinion formers within the community and partner agencies across public, private and voluntary sectors. The focus should also be upon key groups (black, Asian and minority ethnic groups, the elderly, those with special needs) within the community, and how best to convey information in each case.
- Examining how the communications strategy can support and contribute to the consultation process associated with stock transfer or establishing an ALMO.
- Building tenant involvement into the communications and consultation process, for example by involving tenants in the production of newsletters and other audio-visual material.

Starting work with tenants

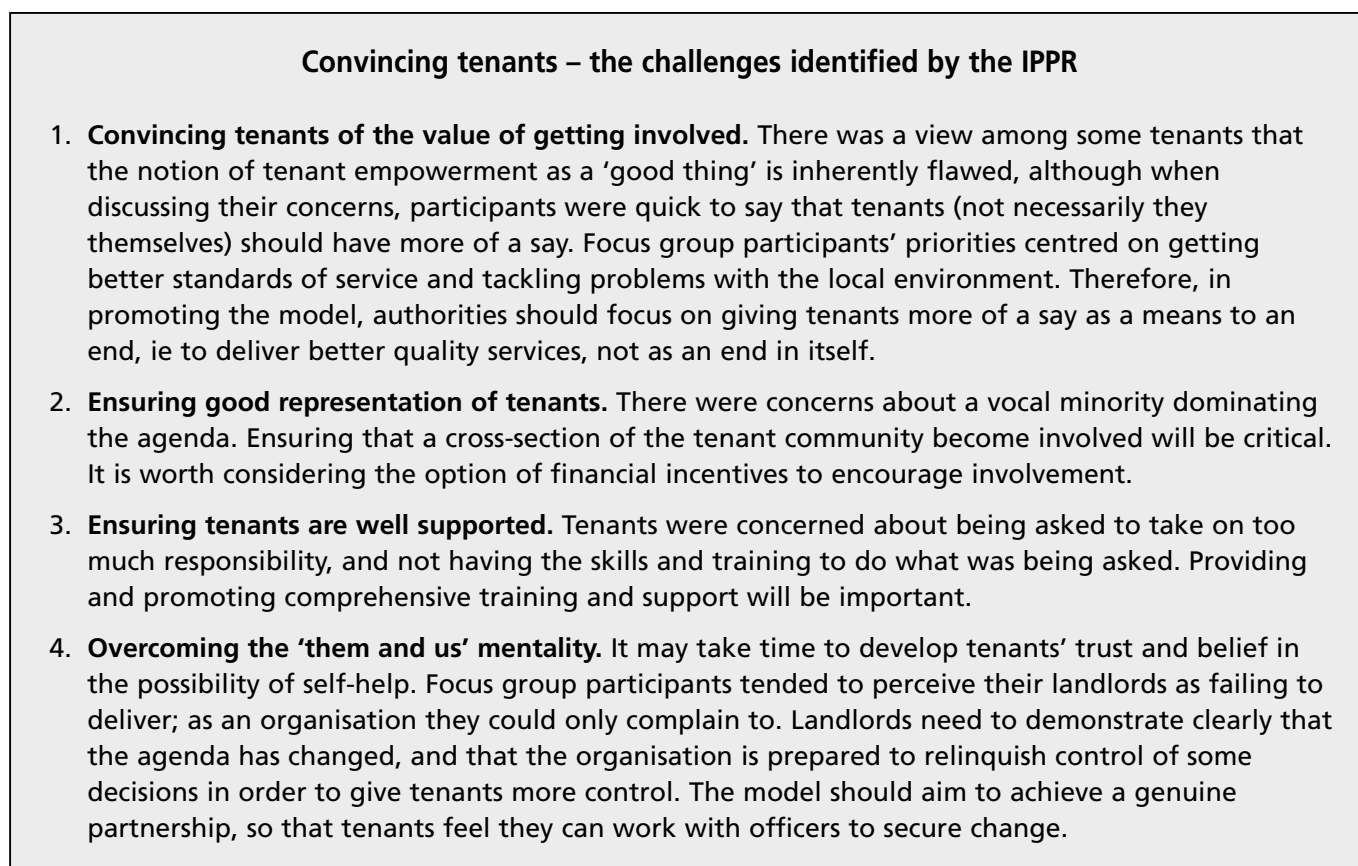
Promoting an understanding of the community gateway model should begin during the options appraisal stage, with tenants representatives involved in the decision-making process, and the wider body of tenants consulted and then kept informed about the outcome of the appraisal. Tenants should have received information about why the

council is proposing a change, providing the government policy context. The way in which tenants have been involved in shaping the outcome of the strategic options appraisal should also be explained.

Once work begins to promote and develop the model, there should be some awareness of it among the wider body of tenants (although where consultation has focussed on a core group of tenant activists this is likely to be limited).

However, even where initial information has been provided, and consultation has taken place, there is likely to be a considerable amount of concern, cynicism, and possibly misinformation, about the changes being proposed. Other, typical, barriers to tenant participation will also come in to play; for example, if tenants feel they have no real influence, and are being asked to give up their time for no obvious result. The focus groups carried out by the IPPR for the study highlighted the challenge that authorities are likely to face in developing confidence in the community gateway model. Authorities will need to address the challenges identified by the IPPR if they are to implement the model successfully.

Figure 14



Source: IPPR

Raising awareness, building confidence

Initial promotional work will focus on raising awareness of the decision to develop a community gateway association and to explain what the model entails. Key messages include:

- This is an organisation that tenants can own, and influence from the top-down and the bottom-up.
- Because of the extent of tenant influence, tenants are better placed to get the outcomes they want – such as better quality services, and better value for money.
- Where applicable, that the transfer/change to arm’s length management means more money to pay for repairs, improvements and other regeneration. The new model means tenants will have more say in how this is spent.

Existing tenants and residents organisations and tenant management organisations will be an important audience, and should be offered the opportunity to meet with staff to discuss what is involved, and what the change will mean for existing tenants groups. This should involve providing reassurances that existing TROs and TMOs will continue to receive support and recognition, and that the terms of existing management (and other) agreements will be honoured (subject to the need for any revisions to satisfy regulatory requirements where stock transfer is involved). Where it is necessary to review management agreements with TMOs, section 16 funding is likely to be available, and TMOs should be given access to independent advice. Similar reassurances and support should be provided to groups already working towards tenant management.

The key messages developed for the communications strategy will be central to this initial phase of information giving (and an example of these messages is provided in the toolkit). It will be important to explain the process for setting up the new association, and to emphasise the range of ways in which tenants will be enabled to get involved in the coming months.

Membership drive

As noted above, the community gateway association should seek high levels of tenant membership. A membership drive for the community gateway association will be a critical element of initial promotional work. This will help to focus attention on the new organisation, and to develop understanding of what it is, and why it is being proposed. It may also help to generate interest in tenant board membership, which will be critical later on. As noted in chapter 5, key features of the drive will include:

- providing clear straightforward information about the benefits and obligations of membership, including to confirm that members have no financial liability beyond the initial share payment;
- keeping the share payment to a minimum;
- making a simple application form widely available.

During the development phase for the new organisation, work will need to begin on the development of policies and key strategy documents. Authorities should seek to build upon the initial momentum of the membership drive by inviting tenant members to get involved in the policy and strategy development process (for example through consultation workshops), and to take up training opportunities.

Identifying local community area boundaries

Proposals for handling the development of a local area structure are contained in chapter 4. The consultative process that underpins this activity will provide another opportunity to involve tenants in developing the new organisation, and in starting to consider the profile and needs of their local communities.

This exercise will also provide a foundation for developing an indicative community options study timetable; identifying which communities should be prioritised in beginning to examine the range of options for their future involvement. It will also be critical for developing the business plan, and to support work on the development of the community empowerment strategy.

Creating a new organisation

Setting up the board

The selection and appointment of tenant board members, and council nominees, will be the first tasks in establishing the board. Decisions will need to be taken about whether there will be a constituency element to the election (for example with the community gateway association area divided into geographical constituencies, or some seats reserved for specific groups of tenants such as those in sheltered housing or leaseholders).

A tenant board member recruitment campaign can follow the initial membership drive, and should include:

- providing information leaflets and information workshops for tenants interested in the idea of board membership – these would spell out the role of the board, the responsibilities of board membership, the level of work involved, and the support (including financial support with expenses) and training that will be provided;
- enabling potential candidates to meet tenant board members from other organisations;
- inviting interested candidates to put their names forward, and providing help with the completion of application forms and drafting a candidates statement (to be used during the election);
- conducting an election, either among all tenants (the preferred option unless certain levels of tenant membership have been achieved), or solely from among the tenant members.

Work to recruit independent board members should begin only after tenant board members are in place, so that they can play a part in the appointment process.

Once the board is in place, a training programme will need to commence, addressing the full range of information and skills that board members require. This should be based upon a review of board members' skills and experience. The support requirements of all board members, but particularly those new to the role, should be considered – mentoring could be offered.

The remaining elements of the set-up stage can now take place, involving the further development and approval of the association's business plan, community empowerment strategy, and other key policy documents.

Developing the first draft community empowerment strategy

Work on the development of the community empowerment strategy would provide a focus for early consultative activity, and for increasing understanding and awareness of the range of options available for involvement, both at a local community and landlord-wide level. Ideally it should not be confined to a small group of tenant activists, but should be developed after promotional and consultative work at a local level, to identify

tenants' priorities. This should specifically involve existing tenant organisations (including tenant management organisations) to ensure that concerns with existing tenant participation and support mechanisms can be addressed.

The community empowerment strategy is discussed more fully in chapter 4.

Developing the business plan

The development of the business plan will be a critical activity for the new board, and should again be founded on tenant consultation. Initial business planning work is likely to have been carried out prior to the establishment of the board, and should incorporate a local community area focus, to provide the foundation for future devolution.

The business plan will be the key driver in determining the commitments that can be offered to tenants. It is important that tenants' representatives understand the constraints involved in developing the business plan, and are familiar with its role. Tenants should be involved in formulating the programmes and priorities that are fed into the business plan. Training on the business planning process should be provided not just for board members, but also for those tenants who are involved in decision-making.

Business planning considerations are addressed more fully in chapter 6.

Developing the offer to tenants

Whether in the ALMO or stock transfer context, tenants will need to understand what the new organisation is able to offer, and work will need to take place to develop a clear statement for tenants.

In stock transfer, this will take the form of a legal 'offer' setting out the commitments that the organisation will give to residents.

The community gateway association will want to take steps to ensure the widest possible involvement of tenants in formulating the offer. If tenants have been involved in shaping the organisation's wider policies and programmes, and in the decisions that underpin the business plan, this will establish a solid platform for creating an offer that reflects tenants priorities. This will be a critical part of the process of building confidence in the new organisation.

Liaison with key stakeholders

There are a range of stakeholders that local authorities will need to involve as the community gateway proposals are developed. These include the range of partner agencies that operate locally including housing associations, other council departments, and other public, private and voluntary sector agencies involved in delivering services to council homes.

The local authority will have kept its government office informed about its strategic plans, and progress with the selected option. Applications to join the stock transfer or arm's length management programme will have been made, and the authority will establish a working relationship with the Community Housing Task Force.

The ALMO context

If arm's length management is being pursued, the authority will also have contact with the Housing Inspectorate to agree the timetable for the transfer of operations and inspection. This will be a key driver in the timetable.

The stock transfer context

If the decision is taken to pursue stock transfer, contact will need to be made with the Housing Corporation, and work will begin on developing the policy and organisational infrastructure needed for registration. The Housing Corporation will wish to meet the shadow board, and will seek evidence of board competence.

In the early years, community gateway associations will represent a new and untested mechanism for stock transfer. It will be important to begin contact with prospective funders at an early stage, ensuring that funders are able to develop a clear understanding of the way the organisation will be governed and managed, and to provide assurances about its competence. The organisation could consider issuing a prospectus and seeking funding offers prior to the ballot, to demonstrate to tenants that funding is available and therefore that the commitments being made are deliverable. These benefits will need to be weighed against the potential costs of developing the funding prospectus and interviewing and selecting funders prior to a test of opinion.

Introduction

Pre-transfer preparations will involve anticipating and preparing for the day that the new organisation takes over operational responsibility.

Community gateway associations will have certain characteristics that set them apart from other organisations, and which require particular consideration (although arguably all social housing providers would benefit from the measures described below).

An organisation designed for change

The community gateway association starts life knowing that its role and remit is likely to change. It will promote and encourage change, encouraging tenants to take up opportunities to consider greater involvement in decision-making, including taking over management responsibility, or ultimately even ownership of parts of the stock.

The organisation needs to be capable of adapting; from being the provider of all services and governance responsibilities, to a more limited role as the enabler, regulator, and possibly also funder of services (see chapter 6).

The following will need to be addressed:

- Ensuring that computer and other systems are capable of adaptation for devolution, and to adapt to a client/contractor relationship on an area basis.
- Ensuring that budgeting and business planning systems are geared up for area based decision-making.
- Providing a performance management culture that can adapt to varying levels of tenant involvement. Tenants should be able to take part in monitoring and reviewing standards, or in taking responsibility for ensuring standards are met. While there should be flexibility to allow local communities to set the standards they want to see achieved, the organisation should ensure that there are minimum performance standards which must be achieved in all areas.
- Providing a support and training infrastructure for staff that enables them to embrace and respond effectively to change, and to exploit new opportunities that arise as management and ownership arrangements develop.

Sustaining resident and community involvement

Sustaining community involvement, once the initial momentum of a new initiative has passed, is a considerable challenge for any organisation. In the social housing sector, where a regeneration or stock improvement initiative, or stock transfer, is often the catalyst for resident involvement, this challenge is well understood. Interest can wane; tenant activists may become over-stretched or disillusioned; new volunteers may not come forward. The long-term success of the community gateway model will depend upon the organisation's ability to prevent this happening.

It can seek to do this by:

- **Making sure that commitments to tenants are honoured.** It seems obvious, but the focus groups carried out for this study emphasise the importance of delivering what was promised, to counter a track record of failure to deliver. Without this it will be hopeless to expect tenants to remain involved and committed. Examples include ensuring works programmes start and finish on time; ensuring that the operational details of programmes agreed with tenants are honoured; ensuring that tenants can see action on anti-social behaviour and crime taking place.
- **Investing in capacity building.** Putting in place a wide range of measures to support existing activists and encourage new ones to come forward. Provide opportunities for personal development for tenant activists. Consider whether mentoring is an option; consider paying tenant mentors an allowance. Invest in social and cultural events, not just service related activities.
- **Plan for turnover.** Encourage a focus on recruiting successors, whether at board, board committee or tenant organisation committee level. Have strategies in place for promoting the value of board/committee membership, and grooming potential board/committee members. Foster a culture that terms of office are fixed; people will be able to stand down without pressure.
- **An ongoing focus on good governance.** Chairs need training to understand the importance of their role, and to help deliver well managed meetings. Conflict and exclusivity will turn people away. Consider what it takes to attract and keep volunteers, such as inclusive, engaging, short meetings, and a focus on the needs of the lay person. Provide support and advice behind the scenes.

These challenges will not be met without the organisational infrastructure to deliver. Community empowerment personnel and committee services staff at the centre of the organisation will play a critical and complementary role. Investing in this infrastructure will be important.

Supporting and monitoring tenant organisations

While tenant organisations will want independence, it is important that they are offered support, and that clear performance standards are established and monitored. Standards should apply not just to the financial operation of the organisation, but also to governance and service delivery. Recent research into the activities of tenant management organisations by Oxford Brookes University for the ODPM has emphasised this, and encourages ODPM to develop guidance on a performance monitoring and evaluation framework.⁴⁹ Community gateway associations will need to put a framework in place within the community empowerment strategy, and ensure that it is delivered.

The performance monitoring framework should be accompanied by a support framework. This needs to address how the ongoing training needs of committee members can be met, as well as to encourage and establish tenant-led support networks to allow groups to share experience and develop best practice. This should take account of regional and national developments in establishing tenant management organisation representative groups and support networks.

⁴⁹ ODPM (2002b).

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Appendix 2: Glossary of terms

ALMO	Arms Length Management Organisation – a strategic option for delivering housing services, involving the creation of a local authority controlled company to deliver landlord services.
CGA	Community Gateway Association – an organisation set up to deliver community empowerment that incorporates the financial, constitutional and organisational arrangements to make this possible.
CGM	Community Gateway Model – a strategic option for delivering housing that incorporates a process for empowering tenants (the community gateway process), and a new organisational model, the community gateway association.
LCA	Local Community Area – the term used in the community gateway model to describe communities or neighbourhoods within a landlord’s area of operation.
LSVT	Refers to the large-scale voluntary transfer of council owned housing to a housing association or other registered social landlord.
ODPM	Office of the Deputy Prime Minister – formerly DTLR (2001-2), prior to that, DETR (Department of Environment, Transport and the Regions), and DoE (Department of the Environment). Functions include local government and housing.
PFI	Private Finance Initiative – a strategic option for delivering housing service and raising money for investment through a contract with a private sector agency or RSL.
RSL	Registered Social Landlord – a term used to describe social landlords that are registered with the Housing Corporation, including housing associations and local housing companies.
Right to manage	Right to Manage – established under the Leasehold Reform Housing and Urban Development Act 1993 gives council tenants (covering not less than 25 dwellings) the right to take over management functions from their local authority subject to meeting required levels of competence and a majority vote in favour.
Section 16 funding	Grants available under Section 16 of the Housing and Planning Act 1986 empowering the ODPM to grant funding for the promotion and development of tenant participation.
TMO	Tenant Management Organisation – a term for any developing or established Estate Management Board or Tenant Management Co-operative.
TRO	Tenants and residents organisations – a term used to describe tenants associations and other types of organisation set up to represent tenants and other residents.

Appendix 3: The toolkit

Appendix 3a: Model rules for a community gateway association

Rules of Somewhere Community Gateway Association

Register Number:

Registered under the Industrial and Provident Societies Act, 1965

Produced by the Social Policy Legal Unit (SoPLU)
TROWERS & HAMLINS
Sceptre Court
40 Tower Hill
London EC3N 4DX

Telephone: 020 7423 8000
Facsimile: 020 7423 8001
E-mail: idoolittle@trowers.com (Ian Doolittle), or
jford@trowers.com (Jeremy Ford)

These rules have been prepared in good faith in order to assist those proposing to adopt the Community Gateway Model. Trowers & Hamblins, however, accept no liability for them and recommend that anyone intending to adopt these rules takes specific advice on their contents, effect and applicability.

Based on National Housing Federation's 1998 Model Rules*
Anyone wanting to using these model rules should make their own copyright arrangements with the NHF.

*There are also sections included from the Welsh Assembly Government's 2002 Model Rules for a Community Housing Mutual. Although the references throughout are to the 'Housing Corporation', these Community Gateway Association Model Rules could be adapted for Wales and the references changed to the 'Welsh Assembly Government'.

CONTENTS

Part A	Name and objects
A1	Name
A2	Objects
A3-A4	Non-profit
Part B	Powers of association, board, and members
B1-B3	Powers
B4-B6	Powers of the board
B7	Limited powers of members in general meeting
B8-B9	General
B10-15	Devolution and community empowerment
Part C	Members and general meetings
C1	Obligations of members
C2-C4	Nature of shares
C5-C10	Nature of members
C11-C13	Admission of members
C14-C15	Ending of shareholding
C16-C17	Annual general meeting
C18-C19	Special general meetings
C20-C21	Calling a general meeting
C22-C26	Proceedings at general meetings
C27	Proxies
C28-C33	Voting
Part D	The board
D1	Functions
D2-D7	Composition of board
D8-D11	Election, appointment and retirement of board members
D12-13	Quorum for the board
D14-D21	Board members' interests
D22-D23	Meetings of the board
D24-D27	Management and delegation
D28-D31	Miscellaneous provisions
Part E	Chair, chief executive, secretary and other officers
E1-E3	The chair
E4-E5	The chair's responsibilities
E6	The chief executive
E7	The secretary
E8	Other officers
E9-E10	Miscellaneous
Part F	Financial control and audit
F1-F6	Auditor
F7- F8	Auditor's duties
F9-F11	Accounting requirements
F12	Annual returns and balance sheets
F13-F15	Borrowing
F16	Rate caps
Part G	Miscellaneous and statutory
G1-G2	Registered office and name
G3	Disputes
G4-G9	Minutes, seal, registers and books
G10-G11	Statutory applications to the Financial Services Authority
G12	Amendment of rules
G13-G14	Dissolution
G15	Interpretation of terms

PART A NAME AND OBJECTS

Name

A1 The name of the Community Gateway Association shall be [ABC] Limited ('the association').

Objects

- A2 The association is formed for the benefit of the community. Its objects shall be to benefit the community by:
- A2.1 carrying on the business of providing housing, accommodation, and assistance to help house people and associated facilities and amenities;
 - A2.2 providing tenants and members of the community with the opportunity to choose and exercise options in relation to the ownership, management and control of their housing and communities;
 - A2.3 providing training and information to encourage community development;
 - A2.4 carrying on any other object that can be carried out by an Industrial and Provident Society registered as a social landlord with the Housing Corporation.

Non-profit

- A3 The association shall not trade for profit.
- A4 Nothing shall be paid or transferred by way of profit to members of the association.

PART B POWERS OF ASSOCIATION, BOARD, AND MEMBERS

Powers

- B1 The association shall have power to do anything that a natural or corporate person can lawfully do which is necessary or expedient to achieve its objects, except as expressly prohibited in these rules.
- B2 Without limiting its general powers the association shall have power to:
- B2.1 take or grant any interest in land including any mortgage, charge, floating charge or other security whatsoever, or carry out works to buildings;
 - B2.2 help any charity or non-profit making body in relation to housing;
 - B2.3 subject to rules F13, F14, and F15 borrow money or issue loan stock for the purposes of the association on such terms as the association thinks fit; and
 - B2.4 subject to rules F16 and F17 invest the funds of the association;
 - B2.5 transfer and delegate to another organisation established in accordance with the provisions set out in these rules any assets, powers, responsibilities, or day to day management associated with any such transfer or delegation;
 - B2.6 establish a community fund for investment in community business, projects or activities in order to achieve the association's objects;
 - B2.7 enable members of the community to participate in the affairs of the association and local tenant and resident groups;
 - B2.8 deliver strategies for the wellbeing of the community in partnership with the local authority and other organisations;
 - B2.9 develop and promote the rights of members of the community, employees of the association and people dealing with the association in accordance with the Charter of Fundamental Rights of the European Union and in particular the need to provide information to members and conduct the affairs of the association in accessible and appropriate ways.
- B3 The association shall not have power to receive money on deposit.

Powers of the board

- B4 The business of the association shall be directed by the board.
- B5 Apart from those powers which must be exercised in general meeting:
- B5.1 by statute; or
 - B5.2 under these rules
- all the powers of the association may be exercised by the board for and in the name of the association.

B6 Subject to and in accordance with Rules D24 to D27, the board shall have power to delegate, in writing, the exercise of any of its powers to committees and to employees of the association (subject to rule D1) on such terms as it determines. Such delegation may include any of the powers and discretions of the board.¹

Limited powers of members in general meeting

B7 The association in general meeting can only exercise the powers of the association expressly reserved to it by these rules or by statute.

General

B8 The certificate of an officer of the association that a power has been properly exercised shall be conclusive as between the association and any third party acting in good faith.

B9 A person acting in good faith who does not have actual notice of any regulations shall not be obliged to see or enquire if the board's powers are restricted by such regulations.

Devolution and community empowerment²

B10 In accordance with the association's objects, the association will at all times have in place and operate the following:

- B10.1 a strategy and programme to promote and provide options for increased tenant and community control of their housing and communities;
- B10.2 a strategy and programme to secure the widest possible community involvement in the association;
- B10.3 a strategy and programme for community development, training and communication, and the identification of local community areas for the purpose of rules B10 to B15;
- B10.4 a community options study procedure to enable local community areas to determine their wishes and aspirations;³
- B10.5 a procedure to facilitate local community areas to establish local representative tenant and resident groups.

B11 Subject to rule B12, where a tenant and resident group makes a proposal to the board to vary the current provision of management of its housing, the board shall:

- B11.1 satisfy itself that the tenant and resident group has a constitution that allows all tenants in the local community area to become members of the tenant and resident group, has an equal opportunities object of an acceptable standard, and meets other best practice requirements for the recognition of tenant and resident groups;
- B11.2 satisfy itself that the proposal is supported by the local community area;
- B11.3 take reasonable steps to implement the proposal where the requirements of this rule B11 are satisfied and where applicable funding, regulatory or legal constraints permit.

B12 Where a proposal under rule B11 involves a tenant management organisation or other such vehicle with an equivalent or higher level of delegated power, the board shall:

- B12.1 satisfy itself (having acted reasonably and having obtained independent verification of such opinion) that such variation will not materially adversely prejudice the financial viability or reputation of the association;⁴
- B12.2 ensure that the proposal is communicated to all tenants and leaseholders in the local community area;
- B12.3 ensure that a majority of those tenants and leaseholders in the local community area who express a preference are in favour of the proposal;
- B12.4 instigate a feasibility study into the proposed organisation where the requirements of this rule B12 are satisfied, which shall include:

1 Note that tenants could be permitted to serve on such committees, provided that at least one board member (or co-optee) is also on the committee.

2 Rules B10 – B15 are the key tenant empowerment provisions and it is anticipated that the CGA will want to enshrine these procedures in the Rules. However, as these Rules are 'stand-alone' provisions, they could be deleted if, for example, it is decided to incorporate or simply adopt as a reviewable policy a separate community empowerment strategy.

3 The terms 'community options study procedure' and 'local community areas' will need to be defined in the community empowerment strategy (which is itself a defined term) – see rule G15.

4 The financial viability test provides the board with the ability to test proposals before embarking on potentially lengthy and costly devolution procedures.

- group development, financial, equal opportunities and other non-technical training for the tenants and residents group;
- an assessment of the competence of the tenants and residents group to satisfactorily govern their organisation and to take on the legal powers and responsibilities requested.

- B13 If the feasibility study in rule B12.4 concludes that the proposal is feasible, the board shall:
- B13.1 ensure through a formal ballot of all tenants and leaseholders living in the local community area that a majority of those that vote are in favour of the proposal;
- B13.2 following a positive ballot result pursuant to rule B13.1, instigate a development process for the proposed organisation, which shall include:
- further detailed technical and other training for the tenants and residents group;
 - negotiation with the tenants and residents group regarding the terms and conditions to set up the proposed organisation;
 - the creation and, where applicable, registration of a legal body to receive the transfer or delegation under rule B14;
 - any other requirements necessary to set up the proposed organisation.
- B14 Where the requirements of rule B13 are satisfied, the board shall do one or more of the following:
- B14.1 delegate any of its supervisory powers and responsibilities relating to that local community area to the legal body set up under rule 13.2;
- B14.2 transfer assets, and/or delegate any of its powers or responsibilities and associated day to day management to the legal body set up under rule 13.2
- to the extent that such delegation and/or transfer is necessary to give effect to the proposal for which tenants and leaseholders have voted.
- B15 No transfer of assets or delegation of powers and responsibilities to the proposed organisation shall take place except:
- B15.1 in accordance with rules B12 and B13; and
- B15.2 with the approval of the Corporation, and any other regulator or relevant authority; and
- B15.3 in compliance with the legal obligations of the association to third parties, and in particular (without limitation) any obligations of the association to third party funders, lenders or security trustees;
- [PROVIDED THAT no transfer of assets shall take place until after the fifth anniversary of the transfer of the [relevant part of the] council's housing stock to the association.]⁵

PART C MEMBERS AND GENERAL MEETINGS

Obligations of members

- C1 All members agree to be bound by the obligations on them as set out in these rules. When acting as members they shall act at all times in the interests of the association and, for the benefit of the community, as guardians of the objects of the association.

Nature of shares

- C2 The association's share capital shall be raised by the issue of shares. Each share has the nominal value of ten pence⁶ which shall carry no right to interest, dividend or bonus.
- C3 Shares cannot be transferred.
Alternate text: [Only shares held by the nominee of an unincorporated body (alone or jointly with other nominees) can be transferred and only to a new nominee (alone or jointly with other nominees).]⁷

⁵ Note that these model rules (and the proviso in particular) assume the CGA has been formed in connection with the transfer of a council's housing stock. The words in square brackets anticipate an estate transfer. The 5 year restriction on the transfer of assets mirrors the same restriction which applies to an RSL which is a subsidiary and wishes to break away from an RSL group. This restriction does not apply in respect of powers and responsibilities.

⁶ The standard share value of one pound may dissuade tenants from becoming members as this may not be an insignificant amount for some tenants.

⁷ Delete if only tenants are entitled to be shareholders.

- C4 When a member ceases to be a member or is expelled from the association, his or her share shall be cancelled. The amount paid up shall become the property of the association.

Nature of members

- C5 A member of the association is a person [or body⁸] who is a tenant⁹ [or leaseholder¹⁰] who qualifies for membership in accordance with rules C11 and C12 and whose name and address is entered in the register of members.
- C6 The following cannot be members:
- C6.1 a minor;
 - C6.2 a person who has been expelled as a member, unless authorised by special resolution at a general meeting;
 - C6.3 an employee of the association;
 - C6.4 a local authority person if together with other local authority persons who are members their number will be in excess of 33% of the total number of members;¹¹
 - C6.5 an unincorporated or corporate body;¹²
 - C6.6 a leaseholder.¹³
- [C7 A member can be the nominee of an unincorporated body. In such cases the register shall contain the name and address of the member, and shall designate the member as the nominee of a named unincorporated body. The address of the unincorporated body shall also be entered in the register if it differs from the address of the member nominee.]¹⁴
- [C8 A corporate body can be a member. It can appoint an individual to exercise its rights at general meetings. Any such appointment shall be in writing, and given to the secretary.]¹⁵
- C9 No member shall hold more than one share and each share shall carry only one vote.
- C10 A share cannot be held jointly [unless by nominees of an unincorporated body].¹⁶

Admission of members

- [C11 Subject to rule C12, the board shall set review and publish its policies and objectives for admitting new members and shall consider every application in accordance with this rule C11. The board has the power in its absolute discretion to accept or reject an application.]¹⁷
- C12 The board shall offer a shareholding to every person of 16 years of age or more who agrees to be bound by these rules and is registered as a tenant of the association, and shall approve every application made in accordance with this rule C12 and rule C13.
- C13 Applications for membership and payment for shares shall be in such form as the board may prescribe. The name of the successful applicant and the other necessary particulars shall be entered in the register of members. One share in the association and a copy of its rules shall be issued to the applicant.

Ending of shareholding

- C14 A member shall cease to be a member if:
- C14.1 they die; or
 - C14.2 they are expelled under rule C15; or

8 Delete if only tenants are entitled to be shareholders.

9 Restricting membership to only tenants may be seen as an essential feature of the CGM. This Rule should be deleted or modified accordingly if membership is to offered to non-tenants (e.g. by deleting the phrase "who is a tenant").

10 Delete if only tenants are entitled to be shareholders.

11 The definition of 'local authority person' will include tenants who are or have been connected with the council – see Rule C14.5.

12 This rule assumes that only tenants are entitled to be shareholders.

13 This rule assumes that only tenants are entitled to be shareholders.

14 Delete if only tenants are entitled to be shareholders.

15 Delete if only tenants are entitled to be shareholders. Unlike the Welsh model rules for a Community Housing Mutual where shares can be held jointly by joint tenants, the Community Gateway Model sees it as more desirable to allow each individual tenant to be a member.

16 Delete if only tenants are entitled to be shareholders.

17 Delete if only tenants are entitled to be shareholders.

- C14.3 they withdraw from the association by giving one month's notice to the secretary; or
- C14.4 they do not participate in, nor deliver written apologies in advance to, a general meeting of the association in the period starting with one annual general meeting up to and including the next annual general meeting; or
- C14.5 they become a local authority person and together with other such persons who are members their number will be in excess of 33% of the total number of members.¹⁸ In the event that two or more members become local authority persons at the same time the board shall decide at its absolute discretion which persons shall cease to be a member; or
- C14.6 in the case of a member admitted under rule C12, they cease to be a tenant PROVIDED THAT this rule C14.6 shall not apply in respect of such a member temporarily ceasing to be a tenant as a result of the demolition of, or works carried out to that member's home.

- C15 A member may only be expelled by a special resolution at a special general meeting called by the board.
 - C15.1 The board must give the member at least one month's notice in writing of the general meeting. The notice to the members must set out the particulars of the complaint of conduct detrimental to the association, and must request the member to attend the meeting to answer the complaint.
 - C15.2 At the general meeting called for this purpose the members shall consider the evidence presented by the board and by the member (if any). The meeting may take place even if the member does not attend.
 - C15.3 If the resolution to expel the member is passed in accordance with this rule, the member shall immediately cease to be a member.

Annual general meeting

- C16 The association shall hold a general meeting called the annual general meeting within six calendar months after the close of each of its financial years.
- C17 The functions of the annual general meeting shall be:¹⁹
 - C17.1 to receive the annual report which shall contain:
 - the revenue accounts and balance sheets for the last accounting period
 - the auditor's report on those accounts and balance sheets
 - the board's report on the affairs of the association
 - the board's statement of the values and objectives of the association
 - a statement of the current obligations of board members to the board and the association
 - a statement of the skills, qualities and experience required by the board amongst its members
 - the board's report on the community empowerment strategy²⁰
 - C17.2 to appoint the auditor;
 - C17.3 to elect board members;
 - C17.4 to transact any other general business of the association included in the notice convening the meeting.

Special general meetings

- C18 All general meetings other than annual general meetings shall be special general meetings and shall be convened either:
 - C18.1 upon an order of the board; or
 - C18.2 upon a written requisition signed by one-tenth of the members (to a maximum of twenty-five but not less than three) stating the business for which the meeting is to be convened;
 - C18.3 if within twenty-eight days after delivery of a requisition to the secretary a meeting is not convened, the members who have signed the requisition may convene a meeting.
- C19 A special general meeting shall not transact any business that is not mentioned in the notice convening the meeting.

¹⁸ See footnote 11 above.

¹⁹ The power of shareholders is limited and they certainly do not have the power to unilaterally change the CGA's policies and strategies. Legal responsibility for these rests with board members who have personal and fiduciary duties to ensure these are carried out and are not permitted to delegate these (see Rule D1).

²⁰ The community empowerment strategy is a defined term at Rule G15.

Calling a general meeting

- C20 All general meetings shall be convened by at least fourteen clear days' written notice posted or delivered to every member at the address given in the share register. The notice shall state whether the meeting is an annual or special general meeting, the time, date and place of the meeting, and the business for which it is convened.
- C21 Any accidental failure to get any notice to any member, shall not invalidate the proceedings at that general meeting. A notice or communication sent by post to a member at their address shown in the register of members shall be deemed to have arrived two days after being posted.

Proceedings at general meetings

- C22 Before any general meeting can start its business there must be a quorum present. A quorum is one-tenth of all members with a minimum number of [] and a maximum number of []. As part of the quorum at least [] members who are tenants must be present in person.²¹
- C23 A meeting held as a result of a member's requisition will be dissolved if too few members are present half an hour after the meeting should begin.
- C24 All other general meetings with too few members will be adjourned to the same day, at the same time and place in the following week. If too few members are present within half an hour of the time the adjourned meeting should have started, those members present shall carry out the business of the meeting.
- C25 The chair of any general meeting can adjourn the meeting if the majority of the members present in person or by proxy agree. An adjourned meeting can only deal with matters adjourned from the original meeting. An adjourned meeting is a continuation of the original meeting. The date of all resolutions passed is the date they were passed (as opposed to the date of the original meeting). There is no need to give notice of an adjournment or to give notice of the business to be transacted.
- C26 At all general meetings of the association the chair of the board shall preside. If there is no such chair or if the chair is not present or is unwilling to act, the deputy chair (if any) shall chair the meeting, failing which the members present shall elect a member to chair the meeting. The person elected shall be a member of the board if one is present and willing to act.

Proxies

- C27 A proxy can be appointed by delivering a written appointment to the registered office at least two days before the date of the meeting at which the proxy is authorised to vote. It must be signed by the member or a duly authorised attorney. Any proxy form delivered late shall be invalid. Any question as to the validity of a proxy shall be determined by the chair of the meeting whose decision shall be final. A proxy need not be a member of the association.

Voting

- C28 Subject to the provisions of these rules or of any statute, a resolution put to the vote at a general meeting shall, except where a ballot is demanded or directed, be decided upon a show of hands.
- C29 On a show of hands every member present in person and on a ballot every member present in person or by proxy shall have one vote. In the case of an equality of votes the chair of the meeting shall have a second or casting vote.
- C30 Unless a ballot is demanded (either before or immediately after the vote), a declaration by the chair that a resolution on a show of hands has been carried or lost, unanimously or by a particular majority, is conclusive. An entry made to that effect in the book containing the minutes of the proceedings of the association, shall be conclusive evidence of that fact.
- C31 Any question as to the acceptability of any vote whether tendered personally or by proxy, shall be determined by the chair of the meeting, whose decision shall be final.

²¹ Insert figures – these should reflect the size of the shareholding body. The basic quorum requirement of one-tenth is standard. Note that rules D7 (removal of board members) and G12 (amendment of rules) provide an additional safeguard against undue influence by a small or unrepresentative tenant minority.

- C32 A ballot on a resolution may be demanded by any three members at a meeting (in person or by proxy) or directed by the chair (and such demand or direction may be withdrawn). A ballot may be demanded or directed after a vote on the show of hands, and in that case the resolution shall be decided by the ballot.
- C33 A ballot shall be taken at the meeting at such time and in such manner as the chair shall direct. The result of such a ballot shall be deemed to be the resolution of the association in general meeting.

PART D THE BOARD

Functions

- D1 The association shall have a board (in these rules referred to as 'the board') which shall direct the affairs of the association in accordance with its objects and rules. The board shall ensure it contains adequate skills to discharge its functions, amongst which shall be to:
- D1.1 define and ensure compliance with the values and objectives of the association and ensure these are set out in each annual report;
 - D1.2 establish policies and plans to achieve those objectives;
 - D1.3 approve each year's accounts prior to publication and approve each year's budget;
 - D1.4 establish and oversee a framework of delegation and systems of control;
 - D1.5 agree policies and make decisions on all matters that create significant financial risk to the association or which affect material issues of principle;
 - D1.6 monitor the association's performance in relation to these plans, budget, controls and decisions;
 - D1.7 appoint (and if necessary remove) the chief executive (if any);
 - D1.8 satisfy itself that the association's affairs are conducted in accordance with generally accepted standards of performance and propriety;
 - D1.9 take appropriate advice;
- and none of these functions D1.1 to D1.9 inclusive shall be capable of delegation.

Composition of the board

- D2
- D2.1 The board shall consist of [fifteen] board members.²²
 - D2.2 Up to [three] board members shall be council board members appointed in accordance with rule D10.
 - D2.3 No more than [five] board members shall be local authority persons.
 - D2.4 Up to [seven] board members shall be tenants [and leaseholders] appointed in accordance with rule D8.²³
 - D2.5 At least one-third of board members shall be independent board members PROVIDED THAT in the event that fewer than one third of board members shall be independent board members the board shall use reasonable endeavours to appoint further independent board members and may act notwithstanding this rule.
- D3
- D3.1 The board shall in its annual report set out the obligations of every board member to the board and to the association. The board shall review and may amend the obligations of board members from time to time.
 - D3.2 No board member may act as such until they have signed and delivered to the board a statement, confirming that they will meet their obligations to the board and to the association. The board may vary the form of statement from time to time.
 - D3.3 Any board member who has not signed such statement without good cause within one month of election or appointment to the board shall immediately cease to be a board member.
- D4 The board may appoint co-optees including the chief executive and up to [two] of the association's executive officers to serve on the board on such terms as the board resolves and may remove such co-optees. Co-optees cannot be local authority persons. A co-optee may act in all respects as a board member, but they cannot take part in the deliberations nor vote on the election of officers of the association nor any matter directly affecting members.

²² This is the standard size of an RSL Board. If more or fewer board members are desired, the numbers in Rules D2, D8 D9 and D10 will need to be adjusted accordingly.

²³ This rule reflects the Housing Corporation's current policy on tenant majorities on RSL boards. However these parameters in Rule D2 still provide sufficient flexibility to enable tenant board members to constitute the largest single group on the board (although short of an absolute majority). Note there is an option to allow leaseholders to become board members.

- D5 For the purposes of these rules and of the Act a co-optee is not included in the expression 'board member' or 'member of the board'. For the purposes of the Housing Act 1996 a co-optee is an officer.
- D6 Not more than five co-optees can be appointed to the board or to any committee at any one time. A local authority person cannot be co-opted.
- D7 No one can become or remain a board member at any time if:
- D7.1 they are bankrupt or subject to an agreement with their creditors; or
 - D7.2 they have been convicted of an indictable offence within the last five years; or
 - D7.3 they have absented themselves from four consecutive meetings of the board without special leave of absence; or
 - D7.4 they are a tenant board member and they cease to be a tenant PROVIDED THAT this rule D7.4 shall not apply in respect of a tenant board member temporarily ceasing to be a tenant as a result of the demolition of or works carried out to that tenant board member's home; or
 - D7.5 they are an independent board member and they become a tenant, leaseholder or a local authority person; or
 - D7.6 the number of board members who are local authority persons exceeds the limit in rule D2.3. When such limit is exceeded, the board member who has most recently become a local authority person shall immediately cease to be a board member, but a board member nominated by the council shall cease to be a board member after all other local authority persons have ceased to be board members; or
 - D7.7 they are removed from the board by at least three-fourths of the votes cast at both a general meeting and at a board meeting by other board members;²⁴
 - D7.8 they are removed from the board by at least three-fourths of the votes cast at a board meeting by other board members
- and any board member who at any time ceases to qualify under this rule shall immediately cease to be a board member.

Election, appointment and retirement of board members

- D8 D8.1 At each annual general meeting, elections shall be held amongst members for the number of tenant board members to be appointed thereat PROVIDED THAT in the event that the number of members who are tenants does not exceed 25% of the total number of tenants then the board may direct that direct or indirect elections be held amongst the tenants living in the association's properties.²⁵
Alternate text: [Prior to each annual general meeting, direct or indirect elections shall be held amongst the tenants living in the association's properties for the number of tenant board members to be appointed thereat.]
- D8.2 The mode and manner of such elections shall be as the board may from time to time agree subject at all times to compliance with rule D2. The secretary shall announce the results of the elections at each relevant annual general meeting and the tenants so elected shall be duly appointed as tenant board members with effect from the end of such annual general meeting without any further formality.
- D8.3 At the first annual general meeting following the transfer and at every subsequent annual general meeting tenant board members shall retire from office in the following rotation:²⁶
- (i) at the first annual general meeting following the transfer, [two] tenant board members shall retire;
 - (ii) at the first subsequent annual general meeting, a further [two] tenant board members shall retire; and
 - (iii) at the second subsequent annual general meeting, a further [three] tenant board members shall retire
- and so forth such that the tenant board members shall subsequently retire in a rotation which mirrors that in sub-paragraphs (i) to (iii).

²⁴ Although the removal of a board member in this Rule requires 75% resolutions by both the board and the members, Rule D7.8 recognises that there may be situations where it is appropriate for just the board to remove a board member.

²⁵ The proviso gives the board the discretion to allow elections to be held amongst the wider tenant population until such time as the number of tenant members is significant enough to be viewed as representing a democratic proportion (suggested here to be 25%).

²⁶ Retiring board members can of course stand for re-election.

- D8.4 The tenant board members to retire at each such annual general meeting shall be those who have been longest in office since they last became tenant board members, but as between persons who became board members on the same day those to retire shall be chosen by lot provided that where a tenant board member is appointed as a consequence of the death or retirement (other than by operation of this sub-paragraph) of another tenant board member ('the predecessor'), the period of time for which the tenant board member shall have held office shall, for the purposes only of this sub-paragraph, be deemed to include the period since the last election or appointment of the predecessor.
- D9
- D9.1 Subject to rule D2, the board shall select no less than [five] independent board members whose appointment shall be subject to confirmation by the members at each annual general meeting.
- D9.2 The appointment of independent board members shall be deemed to be confirmed unless a majority of members vote against the confirmation.²⁷
- Alternate text:
- [D9.1] *Any person may apply for election to the board as an independent board member. A candidate who is not retiring as an independent board member must be recommended by the board.*²⁸
- D9.2 *At each annual general meeting, elections shall be held amongst members for the number of independent board members to be appointed thereat PROVIDED THAT if the candidates for election as independent board members do not exceed the number of vacancies on the board then the board may determine that no elections shall be held and those candidates shall be deemed to have been duly elected.]*²⁹
- D9.3 At the first annual general meeting following the transfer and at every subsequent annual general meeting the independent board members shall retire from office in the following rotation:
- (i) at the first annual general meeting following the transfer, [two] independent board members shall retire;
 - (ii) at the first subsequent annual general meeting, a further [two] independent board members shall retire; and
 - (iii) at the second subsequent annual general meeting, a further [one] independent board member shall retire
- and so forth such that the independent board members shall subsequently retire in a rotation which mirrors that in sub-paragraphs (i) to (iii).
- D9.4 The independent board members to retire at any such subsequent annual general meeting shall be those who have been longest in office since they last became independent board members but as between persons who became board members on the same day those to retire shall be chosen by lot provided that where an independent board member is appointed as a consequence of the death or retirement (other than by operation of this sub-paragraph) of another independent board member ('the predecessor'), the period of time for which the independent board member shall have held office shall, for the purposes only of this sub-paragraph be deemed to include the period since the last election or appointment of the predecessor.
- D10
- D10.1 The council shall have the right to nominate no more than [three] council board members.³⁰ Any vacancies occurring among council board members shall immediately be filled by the council. Appointments or removals shall be made in writing to the secretary.
- D10.2 The council shall review from time to time its right to nominate under this rule and may in its absolute discretion elect to exercise its power only after consultation with members.
- D10.3 The council may withdraw a council board member at any time.
- D11 Subject to rule D2, the board may appoint a person who is willing to act as a board member to fill a vacancy. A board member so appointed shall hold office only until the next following annual general meeting. If not reappointed at such annual general meeting, he shall vacate office at the conclusion thereof.

²⁷ In the event that members reject some or all of the candidates put forward, the board may need to appoint temporary board members under Rule D11 who could then serve until the following annual general meeting.

²⁸ Housing Corporation policy requires that the independent board members possess the necessary range of relevant skills. In order to satisfy this requirement it will be necessary for the board to provide a list of approved candidates in order to allow shareholder elections to take place.

²⁹ The proviso gives the board the discretion to bypass member elections should there be insufficient or only the requisite number of candidates for an election.

³⁰ The council has the right to appoint and remove council board members at any time, but is required to periodically review this power.

Quorum for the board

- D12 Five board members, or half of the board (whichever is lower) shall form a quorum PROVIDED THAT this includes at least two tenant board members, two independent board members and one council board member. The board may determine a higher number.
- D13 Whenever the number of board members and co-optees is less than permitted by these rules, the board may appoint a further board member in addition to the board's power to co-opt. Any board member so appointed shall retire at the next annual general meeting.

Board members' interests

- D14 No board member, co-optee or member of a committee shall have any financial interest:
- D14.1 personally; or
 - D14.2 as a member of a firm; or
 - D14.3 as a director or other officer of a business trading for profit; or
 - D14.4 in any other way whatsoever
- in any contract or other transaction with the association, unless it is expressly permitted by these rules.
- D15 The association shall not pay or grant any benefit to anyone who is a board member or a co-optee or a member of a committee, unless it is expressly permitted by these rules.
- D16 Any board member, co-optee or member of a committee, having an interest in any arrangement between the association and someone else shall disclose their interest, before the matter is discussed by the board or any committee. Unless it is expressly permitted by these rules they shall not remain present unless requested to do so by the board or committee, and they shall not have any vote on the matter in question. Any decision of the board or of a committee shall not be invalid because of the subsequent discovery of an interest which should have been declared.
- D17 Every board member, co-optee and member of a committee shall ensure that the secretary at all times has a list of all other bodies in which they have an interest as:
- D17.1 a director or officer; or
 - D17.2 as a member of a firm; or
 - D17.3 as an official or elected member of any statutory body; or
 - D17.4 as the owner or controller of more than 2% of a company the shares in which are publicly quoted or more than 10% of any other company; or
 - D17.5 as the occupier of any property owned or managed by the association; or
 - D17.6 any other significant or material interest.
- D18 If requested by a majority of the board or members of a committee at a meeting convened specially for the purpose, a board member, co-optee or member of a committee failing to disclose an interest as required by these rules shall vacate their office either permanently or for a period of time.
- D19 The association may pay properly authorised expenses to board members, co-optees and members of committees when actually incurred on the association's business.
- D20 A board member, co-optee or member of a committee shall not have an interest for the purpose of rules D14 to D16 as a board member, director, or officer of any other body whose accounts are or ought to be consolidated with the association's accounts.
- D21 Board members, co-optees or members of committees who are tenants of the association shall not have an interest for the purpose of rule D16 in any decision affecting all or a substantial group of tenants.

Meetings of the board

- D22 The board shall meet at least three times every calendar year. At least seven days written notice of the date and place of every board meeting shall be given by the secretary to all board members and co-optees.
- D23 Meetings of the board may be called by the secretary, or by the chair, or by two board members who give written notice to the secretary specifying the business to be carried out. The secretary shall send a written notice to all board members and co-optees to the board as soon as possible after receipt of such a request. The secretary shall call a meeting on at least seven but not more than fourteen days' notice to discuss the specified business. If the secretary fails to call such a meeting then the chair or two board members, whichever is the case, shall call such a meeting.

Management and delegation

- D24 The board may delegate any of its powers under written terms of reference to committees or to employees (subject to rule D1). Those powers shall be exercised in accordance with any written instructions given by the board.³¹
- D25 The membership of any committee shall be determined by the board. Every committee shall include one board member or co-optee to the board. The board will appoint the chair of any committee and shall specify the quorum.
- D26 All acts and proceedings of any committee shall be reported to the board.
- D27 No committee can incur expenditure on behalf of the association unless at least one board member or co-optee of the board on the committee has voted in favour of the resolution and the board has previously approved a budget for the relevant expenditure.

Miscellaneous provisions

- D28 All decisions taken at a board or any committee meeting in good faith shall be valid even if it is discovered subsequently that there was a defect in the calling of the meeting, or the appointment of the members at a meeting.
- D29 A resolution in writing sent to all board members and signed by three-quarters of the board members or all the members of a committee shall be as valid and effective as if it had been passed at a properly called and constituted meeting of the board or committee.
- D30 Meetings of the board can take place in any manner which permits those attending to hear and comment on the proceedings.
- D31 A board member acting in good faith shall not be liable to the association for any loss.

PART E CHAIR, CHIEF EXECUTIVE, SECRETARY AND OTHER OFFICERS

The chair

- E1 The association shall have a chair, who shall also chair board meetings, and shall be elected by the board.
- E2 The chair on election shall hold office until the commencement of the first board meeting after the next annual general meeting of the association (or until the chair resigns as chair). The first item of business for any board meeting when there is no chair or the chair is not present shall be to elect the chair. The chair shall at all times be a member and a board member.
- E3 The chair of the association may be removed at a board meeting called for the purpose provided the resolution is passed by at least two thirds of the members of the board at the meeting.

The chair's responsibilities

- E4 The chair shall seek to ensure that:
- E4.1 the board's business and the association's general meetings are conducted efficiently;
 - E4.2 all board members are given the opportunity to express their views;
 - E4.3 a constructive working relationship is established with, and support provided for the chief executive (if any);
 - E4.4 the board delegates sufficient authority to its committees, the chair, the chief executive (if any), and others to enable the business of the association to be carried on effectively between board meetings;
 - E4.5 the board receives professional advice when it is needed;
 - E4.6 the association is represented as required; and
 - E4.7 the association's affairs are conducted in accordance with generally accepted codes of performance and propriety.
- E5 The chair shall seek to ensure that there is a written statement of the chair's responsibilities which shall be agreed with the board, and reviewed from time to time.

³¹ See footnote 1 above.

The chief executive

E6 The association may have a chief executive appointed by the board. The chief executive shall be appointed on a written contract of employment, which shall include a clear statement of the duties of the chief executive. Subject to rule D4, the chief executive may only serve on the board as a co-optee.

The secretary

E7 The association shall have a secretary who shall be appointed by the board and who may be an employee. The secretary shall in particular:

E7.1 summon and attend all meetings of the association and the board and keep the minutes of those meetings; and

E7.2 keep the registers and other books determined by the board; and

E7.3 make any returns on behalf of the association to the Financial Services Authority and the Corporation; and

E7.4 have charge of the seal of the association; and

E7.5 be responsible for ensuring the compliance of the association with these rules.

Other officers

E8 The board may designate as officers such other executives, internal auditor and staff of the association on such terms (including pay) as it from time to time decides.

Miscellaneous

E9 Every officer or employee shall be indemnified by the association for any amount reasonably incurred in the discharge of their duty.

E10 Except for the consequences of their own dishonesty or gross negligence no officer or employee shall be liable for any losses suffered by the association.

PART F FINANCIAL CONTROL AND AUDIT

Auditor

F1 The association shall appoint an auditor to act in each financial year. They must be qualified as provided by Section 7 of the Friendly and Industrial & Provident Societies Act 1968 as amended by the Companies Act 1989.

F2 The following cannot act as auditor:

F2.1 an officer or employee of the association;

F2.2 a person employed by or employer of, or the partner of, an officer or employee of the association.

F3 An auditor must be appointed by resolution at a general meeting.

F4 The association's first auditor shall be appointed at a general meeting within three months of its registration. The board may make the appointment if no meeting is held within three months. The board may appoint an auditor to fill a casual vacancy.

F5 Where an auditor is appointed to audit the accounts for the preceding year, they shall be re-appointed to audit the current year's as well unless:

F5.1 a general meeting has appointed someone else to act or has resolved that the auditor cannot act; or

F5.2 the auditor does not want to act and has told the association so in writing; or

F5.3 the person is not qualified or falls within rule F2 (above); or

F5.4 the auditor has become incapable of acting; or

F5.5 notice to appoint another auditor has been given.

F6 F6.1 Not less than twenty eight days' notice shall be given for a resolution to appoint another person as auditor, or to forbid a retiring auditor being re-appointed.

F6.2 The association shall send a copy of the resolution to the retiring auditor and also give notice to its members at the same time and in the same manner, if possible.

F6.3 If not, the association shall give notice by advertising in a local newspaper at least 14 days before the proposed meeting. The retiring auditor can make representations to the association which must be notified to its members under Section 6 of the Friendly and Industrial and Provident Societies Act 1968.

Auditor's duties

- F7 The findings of the auditor shall be reported to the association, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968.
- F8 The board shall produce the revenue account and balance sheet audited by the auditor, and the auditor's report at each annual general meeting. The board shall also produce its report on the affairs of the association which shall be signed by the person chairing the meeting which adopts the report.

Accounting requirements

- F9 The end of the accounting year must be a date allowed by the Financial Services Authority.
- F10 The association shall keep proper books of account detailing its transactions, its assets and its liabilities, in accordance with Sections 1 and 2 of the Friendly and Industrial and Provident Societies Act 1968.
- F11 The association shall establish and maintain satisfactory systems of control of its books of account, its cash and all its receipts and payments.

Annual returns and balance sheets

- F12 Every year, within the time specified by legislation, the secretary shall send the association's annual return to the Financial Services Authority. The return shall be up-to-date to the time specified in the Act, or such other date allowed by the Financial Services Authority. The annual return shall be accompanied by the auditor's reports for the period of the return and the accounts and balance sheets to which it refers.

Borrowing

- F13 The total borrowings of the association at any time shall not exceed £[³²] million pounds or such a larger sum as the association determines from time to time in general meeting.
- F14 The rate of interest payable at the time terms of borrowing are agreed on any money borrowed shall not exceed the rate of interest which, in the opinion of the board, is reasonable having regard to the terms of the loan. The board may delegate the determination of the said interest rate within specified limits to an officer, board member or a committee.
- F15 F15.1 In respect of any proposed borrowing, for the purposes of rule F13, the amount remaining undischarged of any deferred interest or index-linked monies previously borrowed by the association or on any deep discounted security shall be deemed to be the amount required to repay such borrowing in full if such pre-existing borrowing became repayable in full at the time of the proposed borrowing; and
- F15.2 For the purposes of rule F13 in respect of any proposed borrowing intended to be on index-linked or on any deep discounted security the amount of borrowing shall be deemed to be the proceeds of such proposed borrowing receivable by the association at the time of the proposed borrowing.

Rate caps

- F16 F16.1 The association shall have the power to enter into and perform a rate cap transaction, or series of rate cap transactions, where the board (or a duly authorised committee established under the rules) considers entry by the association into such transaction(s) to be in the best interest of the association, provided that:-
- at the time of entry into any such transaction(s) the sum of the calculation amount of any rate cap transaction previously entered into and remaining in effect and the calculation amount of the proposed rate cap transaction(s) shall not exceed (1) £[³³] million pounds or (2) the aggregate amount of the association's variable rate borrowing then drawn down plus the amount of any existing contractually committed loan facilities not yet drawn down in respect of amounts which the association intends at the effective date when drawn will become variable rate borrowings and
 - the counter party to each rate cap transaction is the floating rate payer.
- F16.2 Prior to exercising its power under rule F16.1 the association shall obtain and consider proper advice on the question whether the rate cap transaction is satisfactory having regard to:-
- the possible fluctuations in the rate of interest payable by the association under its variable rate borrowings during the term of the rate cap transaction(s);

³² Insert figure.

³³ Insert same figure as in Rule F13.

- the association's ability to meet its payment obligations under the variable rate borrowings during the term of the rate cap transaction(s) if that transaction was not entered into;
- the payment obligations under the rate cap transaction(s); and
- the association's actual and projected annual income and expenditure position.

F16.3 For the purposes of this rule F16 proper advice is the advice of a person who is reasonably believed by the board to be qualified by their ability in and practical experience of financial matters and rate cap transactions and is properly authorised to give such advice under the provisions of the Financial Services Act 1986, such advice may be given by a person notwithstanding that they give it in the course of their employment as an officer.

F16.4 A person entering into a rate-cap transaction as floating rate payer with the association who has received a written certificate signed by the secretary confirming the association's compliance with this rule F16 shall not be concerned to enquire further whether or not the association has complied with the provisions of this rule F16 and such transaction shall be valid at the date that it is entered into and throughout its term in favour of such person (or any assignee or successor in title) whether or not the provisions of this rule have been complied with.

F16.5 For the purposes of this rule F16:-

- 'calculation amount' 'effective date' 'floating rate payer' 'term' and 'termination date' have the respective meanings given in the 2000 ISDA Definitions as amended from time to time;
- 'variable rate borrowing' means any borrowing by the association pursuant to rule F13 in respect of which the rate of interest has not been fixed for a term in excess of twelve months and the term 'fixed' shall exclude any borrowing where the rate of interest is indexed in accordance with a retail prices index or other published index;
- 'rate cap transaction' means a cap transaction within the meaning of 'swap transaction' as defined in the 2000 ISDA Definitions as amended from time to time.

F17 The funds of the association may, with the authority of the board, be invested and may be applied as permitted by the Industrial & Provident Societies Act 1965 or in cash or term deposits, in the purchase or acquisition (either alone or jointly with other persons) of such shares, stock, funds, securities, land, buildings, chattels or other property of whatever nature and wherever situate, and whether involving liabilities or producing income or not, or in making such loans, with or without security, as the board thinks fit.

PART G MISCELLANEOUS AND STATUTORY, REGISTERED OFFICE AND NAME

G1 The association's registered office is:

G2 The association's registered name must:

G2.1 be placed prominently outside every office or place of business; and

G2.2 be engraved on its seal; and

G2.3 be stated on its business letters, notices, adverts, official publications, cheques and invoices.

Disputes

G3 G3.1 Any dispute on a matter covered by the rules shall be dealt with in the County Court if the dispute is between:

- the association and an officer; or
- the association and a member; or
- the association and a person claiming to be a member; or
- the association and a person who was a member in the last six months.

G3.2 Alternatively, if the association has been a member of the National Housing Federation for at least two years, such dispute can be resolved by an arbitrator appointed by the National Housing Federation if both parties to the dispute agree. If they do not agree the dispute shall be dealt with in the County Court.

G3.3 The arbitrator's decision is binding. No appeal is allowable. No court of law can alter it, but it can be enforced by a County Court.

G3.4 The arbitrator's decision on the costs of the arbitration is binding.

Minutes, seal, registers and books

- G4 The minutes of all general meetings, and all board and committee meetings shall be recorded, agreed by the relevant subsequent meeting and signed by whoever chairs the meeting and kept safe.
- G5 The secretary shall keep the seal. It shall not be used except under the board's authority. It must be affixed by one board member signing and the secretary countersigning or in such other way as the board resolves.
- G6 The association must keep at its registered office:
- G6.1 the register of members showing:
- the names and addresses of all the members; and
 - a statement of all the shares held by each board member and the amount paid for them; and
 - a statement of other property in the association held by the member; and
 - the date that each member was entered in the register of members.
- G6.2 a duplicate register of members showing the names and addresses of members and the date they became members.
- G6.3 a register of the names and addresses of the officers, their offices and the dates on which they assumed those offices as well as a duplicate.
- G6.4 a register of holders of any loan.
- G6.5 a register of mortgages and charges on land.
- G6.6 a copy of the rules of the association.
- G7 The association must display a copy of its latest balance sheet and auditors report at its registered office
- G8 The association shall give to all members on request copies of its last annual return with the auditor's report on the accounts contained in the return, free of charge.
- G9 The secretary shall give a copy of the rules of the association to any person on demand who pays such reasonable sum as permitted by law.

Statutory applications to the Financial Services Authority

- G10 Ten members can apply to the Financial Services Authority to appoint an accountant to inspect the books of the association, provided all ten have been members of the association for a twelve month period immediately before their application.
- G11 The members may apply to the Financial Services Authority in order to get the affairs of the association inspected or to call a special general meeting. One hundred members, or one-tenth of the members, whichever is the lesser, must make the application.

Amendment of rules

- G12 G12.1 The rules of the association may be rescinded or amended.
- G12.2 Rules A2; A3; A4; B1; B2; B3; B10; B11; B12; B13; B14; B15; C2; C3; D9; D10; D17; D26; G12, G14 and G15 can only be amended or rescinded by three-fourths of the votes cast at both a general meeting and a board meeting. Any other rule can be amended or rescinded by two thirds of the votes cast at a general meeting.³⁴
- G12.3 Amended rules shall be registered with the Financial Services Authority as soon as possible after the amendment has been made. A copy of the amended rules shall be issued to all members immediately after registration. An amended rule is not valid until it is registered.

Dissolution

- G13 The association may be dissolved by a three-fourths majority of members who sign an instrument of dissolution in the form prescribed by Treasury Regulations; or by winding-up under the Act.
- G14 G14.1 Any property that remains, after the association is wound-up or dissolved and all debts and liabilities dealt with, the members may resolve to give or transfer to another body with objects similar to that of the association.
- G14.2 If no such institution exists, the property shall be transferred or given to the Housing Associations Charitable Trust.
- G14.3 If the association is registered as a social landlord with the Corporation any transfer or gift is governed by paragraph 15 of Schedule 1 of the Housing Act 1996.

³⁴ The requirement that any rule change also be approved by the board is limited to these rules only since a general power would fall foul of the principle of democratic control and would therefore not be permitted by the FSA.

Interpretation of terms

- G15 In these rules, including this rule, unless the subject matter or context are inconsistent:-
- G15.1 words importing the singular or plural shall include the plural and singular respectively;
 - G15.2 words importing gender shall include the male and female genders;
 - G15.3 any reference to an Act shall include any amendment or re-enactment from time to time;
 - G15.4 'amendment of rules' shall include the making of a new rule and the rescission of a rule, and 'amended' in relation to rules shall be construed accordingly;
 - G15.5 any reference to the Financial Services Authority includes reference to the statutory successor carrying on its relevant functions;
 - G15.6 'board' shall mean the board appointed in accordance with Part D and 'board member' or 'member of the board' shall mean a member of the board for the time being but shall not include a person co-opted to the board under rule D.5;
 - G15.7 'community empowerment strategy' means the community empowerment strategy document approved by the board on []³⁵ and amended from time to time with the approval of the board, and which shall include definitions for 'community options study procedure' and 'local community area';
 - G15.8 'Corporation' means the Housing Corporation;
 - G15.9 'council board member' means a board member appointed pursuant to rule D2.2;
 - G15.10 'council' means the [] Council or any successor body;
 - G15.11 'Housing Association' has the meaning given by Section 1 of the Housing Associations Act 1985;
 - G15.12 'independent board member' means a board member who is not a tenant [or leaseholder³⁶] or local authority person;
 - G15.13 'leaseholder' means a person who is the owner of a residential lease granted by the association or its predecessors in title for an initial term in excess of 90 years;
 - G15.14 'local authority person' means any person:
 - who is or has been a member of the council in the preceding four years;
 - who is an officer of the council (which for these purposes shall not include employees with non-managerial posts apart from housing employees); or
 - who is or has been both an employee and either a director, manager, secretary or other similar officer of a company which is under control of the council;
 - G15.15 'member' shall mean one of the persons referred to in rule C5 and means 'member' as defined by the Act;
 - G15.16 'officer' shall include the chair and secretary of the association and any board member for the time being and such other persons as the board may appoint under rule E8;
 - G15.17 'persons claiming through a member' shall include their personal representatives and also their nominees where a nomination has been made;
 - G15.18 'property' shall include all real and personal estate (including loan stock certificates, books and papers);
 - G15.19 references to any provision in any Act shall include reference to such provision as from time to time amended, varied, replaced, extended or re-enacted and to any orders or regulations made under such provision;
 - G15.20 'register of members' means the register kept in accordance with rule G6.1;
 - G15.21 'secretary' means the officer appointed by the board to be the secretary of the association or other person authorised by the board to act as the secretary's deputy;
 - G15.22 'special resolution' means a resolution at a general meeting passed by a two thirds majority of all members who vote in person or by proxy;
 - G15.23 'tenant' means a person who alone or jointly with others hold a tenancy or licence to occupy the association's properties for residential use (and for the avoidance of doubt excludes a leaseholder);
 - G15.24 'tenant board member' means a board member appointed pursuant to rule D8;
 - G15.25 'the Act' shall mean the Industrial and Provident Societies Acts 1965 to 2002;
 - G15.26 'the association' shall mean the association of which these are the registered rules;
 - G15.27 'these rules' shall mean the registered rules of the association for the time being;
 - G15.28 'transfer' means the completion of the disposal of [all of]/[part of]³⁷ the council's housing stock to the association.

³⁵ Insert date.

³⁶ See footnote 23 above.

³⁷ Delete as appropriate.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

**Acknowledgement of
Registration of Society**

Register No.R

.....Limited

is this day registered under the Industrial and Provident Societies Act 1965.

Dated

(Seal of Central Office)

Copy kept

Financial Services Authority

1. Member

2. Member

3. Member

..... Secretary

Appendix 3b: Model community empowerment strategy

by Nic Bliss, Confederation of Co-operative Housing

Somewhere Community Gateway Association¹

Community Empowerment Strategy

Based on Confederation of Co-operative Housing Model Community Empowerment Strategy

1 INTRODUCTION

- 1.1 A key purpose of Somewhere Community Gateway Association (the CGA) is to ensure that tenants and communities become more involved in decision making processes and gain opportunities to determine the future of their local communities. This is in turn designed to improve the quality of decision-making, in order to deliver better standards of service and value-for-money. The active involvement of tenants and communities in decision-making processes locally and throughout the whole CGA is a key part of our business plan. Therefore the community empowerment strategy (CES) that delivers opportunities for tenants and communities is fundamental to the CGA.
- 1.2 The purpose of the community empowerment strategy is to provide opportunities for tenants and communities both to develop community activity locally and to engage with the CGA itself. The primary mechanisms to achieve this are as follows:
- Local activity (see Sections 2, 3 & 4)**
- the community options study process, a means of initiating and developing community capacity and vision in each local community within the CGA;
 - methods to enable tenants and communities to develop their chosen options for engagement following the community options study.
- CGA wide activity (see Section 5)**
- tenant membership of the CGA whereby this membership has the means to influence the direction of the CGA;
 - elected tenant board membership of the CGA.
- 1.3 The CGA will set targets and monitor its performance in delivering the strategy. It will keep members and the wider body of tenants and leaseholders informed about its progress in delivering the strategy, and will keep the strategy under review to ensure that it is capable of delivering the CGA's broader strategic objectives, and of providing value for money.

2 LOCAL COMMUNITY AREAS

- 2.1 The CGA, for the purpose of the CES, is divided into [999] Local Community Areas (LCAs) [these should be set out in an Appendix].
- 2.2 Local Community Areas are the building block for the community empowerment strategy and it is in these LCAs that various options will be offered to tenants and communities. The process of identifying LCAs took place before the CGA was set up, in order to enable housing management areas to reflect community sub-divisions. The rationale behind the LCAs was to create areas that reflected community identity as closely as possible. [This section could be expanded to include a more detailed explanation of how LCAs were agreed.]

¹ The model strategy assumes that the landlord is a newly established CGA. If an existing social landlord wishes to develop the community gateway approach, the model strategy will need to be adapted to fit with existing governance structures.

- 2.3 Communities may wish to change LCA boundaries. This may or may not be possible – it will be dependent on whether the CGA’s business plan can cope with proposed changes to an LCA boundary. If LCAs wish to amalgamate, this will be possible provided that they can maintain community identity at a larger scale. If tenants and residents within small pockets of homes feel that they belong to a different LCA, or want to operate as a distinct community within a wider LCA – this might be possible. However, large changes to LCA boundaries will be difficult to accommodate because the CGA’s business plan has been set up according to the boundaries that currently exist.

3 COMMUNITY OPTIONS STUDIES

- 3.1 Community options studies are the mechanisms by which tenants and communities will be offered options for the future of their community. The CGA will facilitate community options studies in each LCA within the area. Once an initial community options study has been carried out in each LCA, the CGA will develop a programme for reviewing progress in each area, and repeating options studies at regular intervals.

What is the purpose of a Community Options Study?

- 3.2 The purpose of the community options study is to enable each local community to determine independently the issues that are important to them, their priorities for action, and to identify their proposed strategy for dealing with these issues. Whilst a community options study will consider how the community can be involved in the management of their homes, it will also consider issues wider than just the housing issues. Each community options study will normally last about six months, but may take longer, dependent on local circumstances.

What are the outcomes of an options study?

- 3.3 The outcome of a community options study will depend on the community capacity in each area at the start of the study. If there is little or no community activity, then the outcomes of the options study may be limited. However, where there is an existing active residents association or tenant management organisation, the outcome of the options study may be more advanced. The outcomes of the options study will include the following in most cases:

- tenants and residents have explored issues affecting their homes and looked at the range of ways they could be more involved in the management of their homes, and in other community services;
- where relevant, there has been consultation with other housing providers in the local community area to examine the need for joint consultative, decision-making or management arrangements;
- a preferred set of options has been chosen and has the general support of local tenants and residents;
- an action plan is in place that will normally be led by a local tenants group – with the support of the wider community, the CGA and where relevant other service providers – setting out the key tasks designed to achieve the community’s objectives, the resources required and where the resources might come from, plus key targets and milestones;
- tenants and residents have benefited from development and training to be able to make informed choices and carry out their lead role in the action plan; other service providers have also benefited from understanding the role of community activity and how it relates to their work.

What are the options that can be looked at?

- 3.4 A full range of options available to tenants and community will be looked at as part of the study including:

Housing

- structures for local tenant consultation and participation in decision-making, including: *[to be developed locally, but might include: tenants and residents associations, estate forums, estate/consultative panels, etc];*
- structures for services to be accountable to tenants in line with locally negotiated priorities, including: *[to be developed locally, but might include: estate agreements, local compacts, service level agreements, quality promises, and management partnerships with clearly delegated local accountability];*

- the delegation of responsibility and devolution of power and control to tenants through local management agreements and tenant management organisations;
- granting of ownership of homes to local tenant controlled organizations, whether on a leasehold or freehold basis, or through a group structure arrangement;
- the community options study would also consider with each LCA, the structures and purpose of the CGA itself and how the community would want to engage with it.

Non-housing

There is an extensive list of possible non-housing options that could be considered dependent on the issues and priorities of each local community. It might include:

- tackling crime;
- engaging young people;
- misuse of drugs;
- environmental issues;
- community issues;
- economic and employment issues.

3.5 It is essential that the analysis of each option is relevant to local needs and priorities, that the action points are achievable, and that the resources to make each one effective are identified.

What is the options study process?

3.6 Five 'themes' underlie the options study process as follows:

- establishing and developing the community group;
- exploring local issues;
- exploring the options;
- engaging with the wider community;
- action planning.

The way in which each theme is developed will vary according to local needs, but each theme will need to be considered.

Final report

3.7 There will be a final report on the work carried out in the options study and it will include the action plan.

4 DEVELOPING OUTPUTS FROM THE ACTION PLAN

4.1 Usually, during the course of a community options study or before, a tenants and residents group will have been set up.

4.2 To gain CGA recognition, the tenants and residents group has to meet certain basic requirements (ie that the group allows all tenants in the LCA to become members of the group, encourages diversity and equal opportunities and has a clause in its rules that supports this commitment, and meets the other requirements set out in the 'standards for recognition').

4.3 CGA staff will provide support to recognised tenants and residents groups to help with the implementation of the action plan. Where action points do not fall within the remit of the CGA, the CGA will help residents to liaise with other service providers.

4.4 Where a local community wants to set up consultation arrangements and/or agreements on the way services will be provided locally, these arrangements will be developed by the CGA in partnership with tenants and residents (through a tenants and residents group if there is one), and where appropriate other service providers.

Devolving power

4.5 There are a number of ways in which power can be devolved to local communities, including through:

- power-sharing arrangements;

- setting up a tenant management organisation;
 - working towards tenant ownership of local assets.
- 4.6 Arrangements to devolve power will be carried out in accordance with the CGA's procedure for doing so. This procedure will be reviewed in accordance with accepted best practice at the time, but will include the stages set out in paragraphs 4.7 – 4.10 below.
- 4.7 If an action plan involves devolving power:
- the local community will need to be represented by a tenants and residents association that meets CGA 'standards for recognition' (see paragraph 4.2);
 - the CGA will ensure that any possible changes of management or ownership will not have an adverse effect on the financial viability or reputation of the CGA;
 - the CGA will want to be satisfied that all tenants and leaseholders in the LCA have been informed of the proposal, and that a majority of those who express a view are in favour of it.
- 4.8 Once the conditions in 4.7 have been met, a feasibility study will be carried out into the proposal. The feasibility study will:
- develop an outline business plan for the devolution proposal;
 - provide training on governance and other relevant matters for the tenants and residents group;
 - assess whether the tenants and residents group meets basic governance competencies.
- 4.9 If the feasibility study reports that it is possible to set up the proposed organisation, the CGA will carry out a formal ballot of all tenants and leaseholders living in the LCA to assess whether the community supports the proposal.
- 4.10 If a majority of those voting are in favour of the proposal, the CGA will support a development stage which will include:
- full development of the business plan for the devolution organisation;
 - further detailed technical and other training;
 - an assessment of the group's competence to take on the legal powers and responsibilities requested;
 - negotiation between the CGA and the tenants and residents group on the terms and conditions that will govern the change of management or ownership;
 - registration of the tenants and residents organisation as a legal body to take transfer of management or ownership;
 - carrying out any other measures that are needed to set up the proposed organisation, including obtaining the consent of the Housing Corporation and funders (or where a transfer of ownership is proposed, will support the tenants organisation in seeking the relevant consents).
- Funding the development of the action plan**
- 4.11 The CGA will provide information and guidance for tenants and leaseholders on the funding available, both from the CGA and from external sources, to support the development of devolution options. Where external funding is required, the CGA will support tenants and residents groups in applying for grant assistance, providing match-funding where this is a condition of grant. [Note: the precise arrangements for funding devolution will depend on the view taken by the ODPM and the Housing Corporation about how best to fund this area of activity. Some provision may be available from internal budgets, depending on how the business plan is structured. Alternatively, the CGA may be dependent on either Tenant Empowerment Grant from ODPM, or Community Training and Enabling Grant from the Housing Corporation.]
- 4.12 Non-housing options could potentially be funded through a variety of sources. It is particularly important to note that the CGA is not able to use tenants' rents to fund non-housing activities and therefore action plans will clearly need to identify how they will be resourced.
- Reviewing the action plan**
- 4.13 The CGA, in partnership with tenants and residents (through the tenants and residents association if there is one) will review the action plan in partnership with the tenants group regularly after it has been produced.

5.1 Tenant board members

There are [7] elected tenant members on the board of the CGA. The function of the CGA board is to govern the CGA and make decisions about how it operates.

The role of the CGA tenant board members is only one part of developing the way in which the CGA promotes community empowerment, but it is an important role. They, alongside the other members of the CGA board, determine the overall vision, strategies and policies for the organisation.

Whilst all CGA board members, including tenant members, are formally accountable to the CGA and have to take decisions on the basis of what they think is right for the overall CGA, wherever possible they will carry out their role to establish the vision, strategies and policies of the CGA on the basis of what CGA tenants and communities want.

The CGA's tenant board members have a key role in determining what CGA tenants want, in promoting the CGA to tenants and in developing the community empowerment strategy.

Tenant board members are elected by all tenant members of the CGA, but they represent the following constituencies: *[List of geographical and issue based constituencies]*

5.2 Local authority board members

There are [3] representatives from the local authority on the board of the CGA.

5.3 Independent board members

There are [5] independent board members on the board of the CGA. These board members provide particular areas of skills, knowledge and experience that the board needs to make sure it operates effectively. [The body that regulates the CGA – the Housing Corporation – requires that these skills be in place on the board of the CGA.] These skills include:

- legal;
- finance;
- housing development;
- housing management;
- community development & community control issues.

The initial independent board members were selected and agreed by board of the CGA, and approved by the tenant membership. When the CGA wishes to change or select different independent board members, they have to be approved at the next annual general meeting of the CGA (although because their skills may be needed urgently, the CGA board can bring them on at any time and they can serve up until the subsequent AGM). If the membership does not approve the appointment of a proposed independent board member, the board will nominate a new candidate.

5.4 Membership of the CGA

Membership of the CGA is an important component of the CGA and provides a key safeguard to ensure that the commitments made in the community empowerment strategy are carried through. Membership is open to all tenants [and] on payment of a [10p] share in the CGA.

The purpose of membership of the CGA is to:

- elect the tenant membership of the CGA board;
- approve any proposed independent members of the CGA board;
- receive the annual report of the CGA, particularly the annual report on the community empowerment strategy;
- enable members to participate in consultative working groups of the CGA;
- develop a sense of identity with the CGA.

The CGA hopes that tenants becoming members of the CGA will be seen as an active expression of tenants identifying with the CGA and what it is trying to do to improve the quality of life for tenants and communities, and their ability to get involved in decision-making.

- 6.1 The CGA has an overarching policy of encouraging and supporting diversity within all operations of the CGA. The principles behind this commitment include the following:
- the CGA actively encourages all tenants to take advantage of the opportunities available to them under the community empowerment strategy, regardless of their sex, sexual orientation, race, colour, nationality, ethnic origin, religious belief, physical or mental disability, age, class, appearance, responsibility for dependants, unrelated or spent criminal convictions, being HIV positive or any other matter which causes any person to be treated with injustice;
 - the CGA ensures that there are no perceived or actual barriers, by virtue of diversity issues, to active participation with any part of either the CGA itself or with LCA groups;
 - the CGA monitors diversity in relation to the community empowerment strategy and takes active steps to address any issues;
 - the CGA will use whatever mechanisms open to it to encourage constructive dialogue and discussion about diversity issues and inter-relationships between diverse groups.
- 6.2 The following are particular methods by which the CGA will ensure diversity within the community empowerment strategy:
- the CGA monitors those people who become actively engaged in some part of the community empowerment strategy to gain a profile of which groups are participating and which groups are not;
 - the CGA does not recognise an LCA group if it does not have a comprehensive diversity policy of its own. (A part of this diversity policy should be an action plan that outlines active steps that the group will take to encourage and support diversity, and progress on this action plan should be monitored and reported on);
 - the CGA pays particular attention to providing support to LCA groups on diversity issues – providing training on diversity issues, suggesting ways in which LCA groups can tackle particular issues, providing outline model policies, etc;
 - in particular, the CGA considers whether active participation in LCAs reflects the ethnic diversity in the LCA and will consider what steps may need to be taken to address this. (If necessary, the CGA will assist an LCA group identify appropriate co-optees to their groups to redress any imbalances);
 - the CGA ensures that membership of its board reflects diversity issues appropriately and particularly reports on this issue at its AGM;
 - the CGA monitors active participation within its sub-groups and working groups to ensure that diversity issues are being reflected;
 - the CGA ensures that there are no perceived or actual barriers to participation in its board, sub-groups or working groups, by virtue of diversity issues;
 - the CGA encourages and supports the development of CGA-wide groups to represent particular diversity issues;
 - the CGA ensures that skills, knowledge and experiences relating to diversity issues are included in person specifications relating to staff employed in community empowerment functions.

- 7.1 The CGA will employ a range of staff to implement the community empowerment strategy. The roles of the staff will include:
- assisting in developing and amending LCA boundaries;
 - co-ordinating the implementation of the community empowerment strategy;
 - co-ordinating community options studies and being the CGA interface with options studies;
 - assisting with implementation of the action plan points that emerge from options studies that relate to the CGA;
 - acting as member relations officers for the CGA;
 - facilitating the role of tenant board members on the CGA.
- 7.2 Where funding is available, options studies will be carried out by independent agencies chosen (where possible) by tenants groups. Independent agencies will work to a programme agreed by tenants groups, in partnership with community empowerment staff.

- 7.3 Where funding does not permit the employment of agencies to carry out the full options study programme, the minimum that will be carried out by independent agencies chosen by tenants groups (where possible) will be to:
- agree the options studies work programme with the tenant group & the CGA;
 - review the methods by which the options studies process will be accountable to all tenants in the LCA;
 - review the proposed action plan with the tenant steering group and suggest other options that might be considered;
 - contribute to and validate the final report of the options study.

8 IMPLEMENTATION, MONITORING AND REVIEW

- 8.1 The CGA will establish an action plan and performance targets for the implementation of the community empowerment strategy, and progress against these targets will be monitored regularly during the year.
- 8.2 The action plan and performance targets will address:
- progress in implementing work with local community areas, including carrying out options studies, and the delivery of local action plans;
 - progress in developing tenant involvement in the work of the CGA, through take up of tenant membership and the election of tenant board members;
 - provision of staff and other resources to support community empowerment;
 - provision of training, mentoring and other support for tenants, board members and staff;
 - progress in delivering wider tenant participation, community development, and regeneration activities and initiatives that are needed to support the strategy;
 - expenditure on community empowerment activities, including the use of external grant funding.
- 8.3 The CGA board will receive [quarterly] reports on progress against targets, and at the end of each year will report on progress to all CGA members. The annual report will include a review of the value for money of community empowerment activities, and will include proposals for the following year's targets and action plan. A summary of this report will be made widely available to tenants and other stakeholders.
- 8.4 The CGA board will ensure that tenant members and the wider body of tenants are consulted about the development and review of the community empowerment strategy, and will establish such working groups and other consultative arrangements as are needed to facilitate this consultation. The board will also ensure that other key stakeholders are given the opportunity to contribute to the development of the strategy, as appropriate.

9 ASSOCIATED INFORMATION

- standards for recognising tenants organisations;
- statement of resources and support available to tenants organisations (and related application forms, etc);
- policy on training for tenants, and schedule of training opportunities available;
- menu of options for tenant consultation and participation;
- toolkit of model documents, including model constitution for tenants groups, model estate agreement/local compact/similar, model documentation for tenant management;
- tenants handbook;
- openness policy;
- diversity policy;
- CGA board membership and membership policies;
- standards of service charter or similar.

Appendix 3c: Key messages for a marketing and communications strategy

By The Bridge Group¹

INTRODUCTION

These marketing messages have been compiled to help organisations communicate the characteristics of the community gateway model to their target audiences. It is important that housing organisations tailor the use of these messages to their own local circumstances.

It is recommended that housing organisations take specialist advice to ensure that:

- accurate messages are communicated at all times;
- the most effective and relevant methods of communication are employed;
- dissemination of information is managed in an integrated way.

GENERAL

- the community gateway model is a new approach to owning and managing social housing;
- the community gateway model is a new approach to stock transfer or the arm's length management of housing;
- using the community gateway model could result in the setting up of a community gateway association (CGA) to own/manage the housing stock;
- all organisations using the community gateway model have their own community empowerment strategy;
- the model is flexible and can be adapted to suit local circumstances;
- the model is based upon the premise that involving tenants in decisions about the management of their homes makes for better management and better results;
- community gateway model = more say, better homes, better communities, a better future;
- the community gateway model can lead to tenants owning their own homes collectively, when the time is right for them;
- the community gateway model is about more than housing – it's about giving local people more of a say and making real change happen in local areas;
- the community gateway model is about investing in local people and local communities.

TO TENANTS AND RESIDENTS

- the community gateway model is a new approach to improving your homes and communities;
- the community gateway model allows you to get involved in making things happen to your homes and to your community in a way that has never been possible before;
- the community gateway model recognises that local people know best what is right for their community – it puts them in the driving seat;
- the community gateway model is a new way of helping communities to own their own homes;
- the community gateway model enables you to get involved in local decisions about your home and your community, if you want to;
- you choose if you want to be a member of the community gateway association;
- if you're a member, you can vote to elect tenants to the board of management;
- the community gateway model means extra money for training and access to other resources to support tenant involvement;

¹ The Bridge Group, Stonebridge House, Rowley Drive, Baginton, Coventry CV3 4FG (telephone 024 7630 6666; email info@bridge-group.co.uk).

- if you get involved in the community gateway association, you'll be able to influence how money is used in your local community;
- the community gateway model could provide better value for money for your community;
- the community gateway model could help you make the case for more money for your local community;
- the community gateway model will result in better communication about things that matter to you;
- the community gateway model puts tenants in the lead;
- the community gateway model gives you more power to make decisions about things to do with your home and your community.

TO LOCAL AUTHORITIES

- the community gateway model is the new alternative to traditional stock transfer or arm's length management;
- adopting the community gateway model proves that you believe in tenant involvement;
- using the community gateway model will enable you to get local people involved in what you do;
- using the community gateway model makes business sense;
- more involvement can mean better management and better performance;
- the community gateway model demonstrates that you want to work with local people;
- the community gateway model is the best approach to stock transfer or arm's length management of your housing;
- the community gateway approach offers hope to communities in need of regeneration;
- using the community gateway model shows that you want to invest in local communities;
- committing to the community gateway approach shows that you trust local communities;
- using the community gateway model will help you tackle social exclusion and create more sustainable communities.