

22 June 2023

Dear Ariane

Wider implications of takeover of Reidvale Housing Association by large English-based landlord

Recognising that the Committee already has a full work programme, the Forum is nonetheless very keen to engage with the Parliament over the likely takeover of one of Scotland's oldest community based housing associations by a 230,000 unit UK-based association, and the wider implications this has for smaller, local associations here.

Takeovers by larger housing associations have happened in the past and may well happen again, and sometimes the particular circumstances have made this unavoidable. Equally, though, there have been many cases where troubled associations – through hard work and commitment – have been able to overcome their difficulties and go on to thrive as an independent organisation in their community.

We would readily acknowledge that Reidvale Housing Association, based in Dennistoun and with 897 homes, has some issues to deal with. Historically, its rents have been well below the Scottish average and levels of investment in the stock may have been below what might have been regarded as the norm. But there is no debt on the stock, and therefore no obvious reason why increased investment should not be possible.

We believe there are unique aspects to what is happening at Reidvale which give particular cause for concern, and which lead us to raise the issue with the Parliament, Ministers and the Scottish Housing Regulator, with a view to exploring how such a scenario can be avoided in the future.

Our reference to 'unique aspects' relates primarily to what appears to GWSF to be a particular combination of external influences working in tandem to steer the Association's Management Committee in the direction of a takeover when, in our view, this could easily have been avoided. Those external influences can be summarised as follows:

- The strong steer from the Scottish Housing Regulator (SHR) for an interim chief officer to be appointed, rather than a permanent one, on the retirement of the last chief officer in 2021: such an interim appointment can, in itself, be a destabilising step
- SHR's 'recommendation' to the Association of a specific individual to join the Committee as a co-optee: unfortunately this co-optee was not known for her supportive view of community based housing associations

- Within an Options Appraisal process, the breaching of a key regulatory requirement to consult tenants ahead of any decision on the future of the Association, and SHR's acquiescence in this breach
- An arrangement made by the interim director, ahead of the takeover decision, to provide the Committee with a 'fully independent view of its options' – with the consultant appointed to do being not only a 'transfer specialist' but also someone who had previously worked with both the interim director and the aforementioned co-optee

Obviously GWSF is not in a position to comment in any detail on Reidvale's financial position, but we know from the published engagement plans that SHR had no specific concerns about this.

But we do have a concern that the financial challenges Reidvale faces may have been overstated, when in reality they may not be significantly different to what is faced by many other associations – especially those with a predominance of similar pre-1919 sandstone tenements. In particular, we believe that an alleged lack of preparation for the zero carbon retrofit agenda – as referred to in the Transfer Newsletters, has been used to worry tenants, when it is clear that few, if any, associations in Scotland can demonstrate they have made suitable provision at this very early stage and with a lack of clarity around what subsidy will be available.

Reidvale's 'preferred bidder' – Place for People Scotland

As can be seen from Reidvale's [April 2023 Transfer Newsletter](#), the English-based, UK-wide Place for People Group, through its Scottish arm, has been selected as the preferred bidder, and one of its promises to existing tenants is a five-year rent freeze – something that has never been seen in previous takeover commitments and, realistically, highly likely to be supported by a majority of tenants.

The [Places for People Group](#) is a huge and complex UK-wide structure, with 230,000 homes and, amongst other things, over 100 leisure centres in ownership.

Takeovers – or more genuine mergers – sometimes happen between two neighbouring associations. This means the assets remain within the community (consistent with the Scottish Government's community wealth building approach), and also that the community continues to benefit from the intimate understanding their association has of the area's wider needs. We are unclear as to whether this option was ever seriously explored by Reidvale and the consultants driving the transfer process.

Whilst we are not in a position to comment on the respective capacities of Reidvale and Places for People to invest in the stock, we do have a clearer picture on the repairs and satisfaction KPIs, as available on SHR's website:

Charter data 21/22	Reidvale HA	PfP/Castle Rock Edinvar HA
Overall satisfaction	95%	81%

Meeting SHQS	89%	73%
Repairs satisfaction	94%	78%
Emergency repairs	3.3 hours	13.8 hours
Non-emergency repairs	1.1 days	17.2 days
Relet times	23.5 days	81.1 days

From the Transfer Newsletters, it is clear that Reidvale has been keen to point out that more recently, tenant satisfaction has been reducing. This is frustrating to read, firstly because the vast majority of associations have seen satisfaction levels fall in the wake of reduced investment and repairs activity during the pandemic, and secondly because much of any reduced satisfaction relates to the period when interim staff took over, appearing to us to have a primary focus on driving the transfer rather than on maintaining service standards. It is almost as if the Association has wanted to create a self-fulfilling prophecy of deteriorating performance in order to justify the need for takeover.

The role of regulation

GWSF accepts that SHR has no ‘transfer agenda’, because their corporate plans have never made reference to anything like this. For many years, though, we have had no doubt that there is an unwritten ‘transfer culture’ there. We have countless pieces of evidence from our member associations of SHR – subtly or not-so-subtly – seeking to influence processes towards a transfer outcome, including cases where SHR has expressed disappointment where an association has decided to remain independent after assessing its options.

SHR does not recognise any such culture, and we do not see any prospect of things changing in the short or medium term, as cultural factors tend, by nature, to be well embedded and challenging to address even where they *are* recognised.

We do, however, seek to continue a constructive relationship with SHR and, as recently as 21 June, have explored with them the scope for them to indicate to any of our member associations facing difficulties that GWSF has a support service enabling us to suggest potential co-optees (and also, in relevant cases, potential interim chief officers). Whilst we already do this on a very informal basis when approached by a member organisation, SHR’s willingness to refer a troubled association to us would be based on us formalising the process within a specific support service. We will now progress this in the coming weeks and months, and believe it will be a valuable support in relevant cases.

As a longer term step, we would be keen to explore the scope for using legislation to amend SHR’s remit to give greater recognition to the value of community based organisations. We are not talking about any kind of guarantee that an association in difficulties could always be supported to deal with its problems and continue to retain its independence, but there would be a greater expectation that community interests would be considered by SHR in its regulation of associations facing difficulties.

This would reflect an existing but little known requirement in the [Code of Practice for Scottish Regulators](#) that '*regulatory staff, in pursuing their core regulatory remit, should take an enabling approach, be alive to other interests, including e.g. relevant community interests*'.

Explicitly embedding such a requirement in SHR's remit would not mean there were no transfers in future – indeed some are entirely mutual and take place with relatively little involvement from SHR. Nor would it restrict SHR's existing powers to direct transfers in certain circumstances. Rather the change would be aimed at placing a greater emphasis on the regulatory process being seen to expect and encourage consideration of options which were more likely to retain a local presence, local service provision and retention of assets in the local community.

As an example, had such a change in their remit already been in place, we do not think SHR could or would have acquiesced in Reidvale's blatant breach of the regulatory standard requiring tenant consultation ahead of any transfer decision.

On the wider policy and political front, we would like Ministers to do more to generate an environment in which the wellbeing of community anchor organisations is encouraged and facilitated, consistent with its objectives on community empowerment and community wealth building. Were it ever to be proposed that the community trusts in places like Eigg or Gigha should be subsumed into huge, English-based organisations, the political reaction would be likely to be one of dismay, and yet it seems to be quite acceptable for this to happen in urban situations. We want to see this change.

We would welcome any opportunity to further discuss our concerns with the Committee at some point after the summer recess.

With thanks and best wishes,

David Bookbinder
Director, GWSF