

Dr Steven Halls  
Chief Executive  
Three Rivers District Council  
Three Rivers House, Northway  
RICKMANSWORTH  
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Monday, 13 June 2011

Dear Steven

**Re: Proposed Thrive Homes Rule Change**

I am writing to seek TRDC's consent to the proposed changes to our rules. We have previously discussed this and I understand that you have informally consulted the Leader and other Councillors on the principal change relating to the size of the Board.

In seeking to make these alterations to our existing rules, Thrive Homes is endeavouring to place its governance on a robust footing that reflects the changes that have taken place since transfer and that will support the organisation and its customers for a significant period into the future.

We propose to adopt the NHF 2011 Model Rules and to introduce the changes set out in this letter. These proposals have been developed through a Board Working Group that included independent, tenant and LA nominated members and with the guidance of Devonshires solicitors. Devonshires worked with the NHF in the development of the updated model rules.

**1. Background**

**1.1 Transfer Agreement**

Proposed changes to Thrive Homes' rules are covered by Clause 4, schedule 6, part 2 of the Transfer Agreement:

**4. CONSTITUTION**

- 4.1** *The Association will not change its Constitution so as to reduce the actual or percentage Council or Tenants shareholdings or membership on its Board of Management without the Council's prior consent in writing such consent not to be unreasonably withheld or delayed in relation to all regulations or guidance issues by the Housing Corporation concerning the governance of all or classes of RSLs which regulations or guidance is legally binding on the Association.*

It is now over three years since transfer and Thrive Homes has made significant progress towards delivery of the promises made by TRDC to its residents on transfer.

We have completed 21 of the 41 promises. We anticipated completing a further 6 promises in 2011-12. The remaining promises that cannot be measured until the end of the transfer period are on track to be delivered by 2013.

Thrive Homes is now looking to its future and to ensuring that its governance structure and instruments support the development of the organisation beyond delivery of the transfer promises, ensuring that:

- Present and future customers will be able to access good quality affordable homes within TRDC.
- The authority can discharge its statutory housing obligations.

## **1.2 Operating Environment**

The external operating environment has changed significantly during these years with the separation and more recent re-alignment of funding and regulation from the Housing Corporation to the HCA and the TSA which has introduced six new standards (including the Regulatory Standard for Governance) that we must meet as part of the new regulatory regime.

The TSA's Regulatory Standard for Governance requires registered providers to adopt and comply with a suitable Code of Governance. Thrive Homes has adopted the NHF Code of Excellence in Governance. The NHF Code recommends a maximum board size of twelve members. It also stipulates that the board of registered providers should consist of effective and experienced board members recruited by open, transparent and efficient means.

Where a provider identifies areas of non-compliance with the selected code, it is expected to put in place a plan and address the issues either explaining why it would be unsuitable for it to comply with a particular area of the code or when it will do so. Recent engagement with the regulator indicates that there is increasing interest in providers who are unable to do so. It is our view that this factor alone brings the proposed rule changes (which are to comply with the NHF Code) within the scope of the circumstances envisaged in 4.1 of the Transfer Agreement that is set out above.

This new regime, places increased emphasis on the roles of Boards and customers in working co-operatively to co-regulate affordable housing providers. Thrive Homes has followed the TSA's recommendations regarding its new standards on tenant involvement by placing its greater emphasis on customer involvement and creating a Resident Scrutiny Panel. These ensure that customers have a meaningful voice in determining standards and holding Thrive Homes to account in ways that meet their needs.

## **2. Proposed Rule Changes**

- 2.1 Reduction of numbers of board members from 15 to 12 – allowing for a 3:3:3 – Council: Tenant, Independent board membership with 3 non-shareholding co-optees to strengthen the skills and experience of the board.

While this reduces the number of Council's direct representatives on the board, it does not change its board members' proportion of the vote or its voting rights.

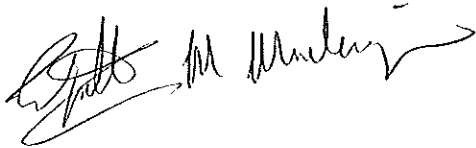
- 2.2 The percentage representation of the different classes of shareholding members will be included in our membership policy and any subsequent variations will require a vote by the shareholders – again protecting TRDC's position.
- 2.3 As part of this reduction in the physical number of shareholders, we will reduce the quoracy requirements for general and special meetings to three with a representative from each class of shareholder to be present in person or by proxy. The current rules require the LA nominee share holder to attend.
- 2.4 Linked to the reduction in board members, we will reduce the quoracy of the board from six to three, one of whom must be an independent.
- 2.5 Reflecting the change in resident involvement and development of the scrutiny panel, we wish to harmonise the appointment of tenant and independent board members, removing the requirement to hold elections for tenant board members. Response to these elections has reduced year on year since transfer as other engagement mechanisms have strengthened. In the last year there was only one candidate for each vacancy negating the intention of the Transfer Agreement. The ability to vote for Board members was only one of a range of involvement mechanisms set out in the Offer Document. The election process utilises resources that could be available for other involvement activities that are more valued by our customers and in its place we will simply say that the board will determine how the resident board members are to be elected. This is likely to involve a combination of a nomination of candidates by resident bodies and selection by the board or committee. This would also enable us to adjust our methods of recruiting tenants so that we meet the requirements and recommendations of the NHF Code of Governance for efficiency and transparency.

We would continue to promote board membership and to provide orientation for those considering this, with applicants appointed to the board following a selection process.

This summarises the impacts of the proposed rule changes. On confirmation that you are happy to accept these in 'principle', I will be able to provide a draft set of revised rules reflecting these changes.

Please let me know if you need any additional information to assist you in reaching a decision and I look forward to your response. I would be very grateful if you would respond by the 30 June 2011 to ensure that this matter can be progressed to the AGM in September.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Elspeth Mackenzie', with a long horizontal flourish extending to the right.

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Chief Executive, Thrive Homes

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