

Council – 9 January 2023

WATMOS Community Homes Constitutional Changes

**Agenda
Item No.**

Service: Customer Engagement

13

Wards: All

1. Aim

Housing associations (HAs) are required by the Regulator of Social Housing's (RSH) Governance and Viability standard to have good governance.

2. Recommendations

That Council gives its consent for Watmos Community Homes to amend its Rules as requested in its letter dated 26 September 2022.

3. Report detail – know

3.1 Watmos Community Homes ("Watmos") is an organisation formed through the stock transfer of a number of tenant management organisations (TMOs) from the Council in 2003. Under the terms of the Deed of Covenant entered into by Watmos at the point of stock transfer from the Council in 2003, Watmos requires the consent of the Council in relation to changes to its Rules.

3.2 Watmos advised in a letter to the Council dated 26 September 2022 (Appendix A) that they wish to amend their Rules in relation to its objects, powers and tenant representation sections. A summary of proposed changes has been provided by Watmos at Appendix B. These changes include:

- Rule D6 "Removes the reference that co-optees to the Board will usually be tenants in recognition that the primary consideration is that co-optees should be suitably skilled individuals regardless of whether or not they are tenants".
- Rule D17.1 "Reduces the quorum required at Board meetings from five to four reducing the possibility that Board meetings may be inquorate" and "Removes the requirement for representatives from various constituent groups to be present as part of the Board meeting quorum"

A full set of the Rules with marked up changes is attached at Appendix C.

3.3 Watmos have confirmed that they need to make changes in order to improve their governance rating. Watmos have received advice from an independent governance consultant (Mick Warner, who previously occupied the position Director of RSH) attached at Appendix D. The advice notes that:

- "In March 2021, the RSH published a Regulatory Judgement (RJ) for Watmos which graded the organisation's governance as compliant at: G2: The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance". The advice notes that if Watmos don't make changes to their governance, there is a likelihood they could receive a non-compliant G3 grading, and that there could be serious

consequences such as the possibility that the RSH would require Watmos and its subsidiary TMOs to be taken over by a larger housing association.

- The current quorum stipulations “represents poor governance and it is something that the RSH would look upon unfavourably and which could prevent Watmos returning to a G1 grading for governance”

3.4 Watmos state that there has been consultation at various levels including:

- The shareholders (of which TMOs form the majority) after considering the facts and the case for change, unanimously voted for the changes with 13 out of 14 voting in favour of the rule change. There was one shareholder who was absent and so did not vote.
- The tenants who form the TMO committees have been consulted through attending meetings and through individual conversations with the TMO chairs.

3.5 Watmos also state that they have numerous existing and new resident engagement methods including:

- Resident panel – a new panel set up in September 2022. This is a sub-committee of the board looking at performance and scrutiny of services. All but one member is a resident.
- Board readiness programme - 12 month training programme for residents who want to learn how to be involved in governance / on a board.
- Consultation – monthly satisfaction surveys against new tenant satisfaction measures – Watmos is an early adopter as measures don't need to be reported until 2024
- Tenant empowerment session – early December 2022 will be the first of several sessions to look at what more can be done to future proof resident led organisations.
- All TMOs were given the opportunity earlier in the year to speak with an external consultant about what they thought the resident voice was for and how it could be more involved.
- Watmos Communities team have a record of being receptive to those residents wishing to engage and the ways in which they want to engage so they can be involved in activities best suited to them.

3.6 These proposals were presented to Scrutiny Overview Committee (SOC) on 12 December 2022. The Committee recommended: “That the proposed changes to the WATMOS Constitution be recommended to Council for approval”. A member of SOC raised queries around any impact on tenant board membership as a result of the rules changes relating to co-optee members, and around ensuring tenant representation to make the board quorate. Watmos have subsequently responded:

Board membership / co optees

- The board membership is made up of 4 independent and 6 residents, and this remains unchanged. There are 2 further co-optee places that can go to residents or independents. This means that residents will never be in a minority in relation to board membership. In addition, WATMOS's shareholding is a resident majority in that 10 shares are held by the TMOs (one each) and 4 by the independents (one each) – 14 in total. The shareholders elect and if needed re-appoint the Board Members at each Annual General Meeting. This aspect also remains unchanged.

Quorum of the Board

- The proposed change to the governance, does mean that the board could be technically 'quorum', if only 4 independent panel members, and no tenant representatives, were present, although the likelihood of this happening in practice is small. Watmos carefully considered the points raised made by Members at SOC, but found no legal, regulatory, or best practice basis, on which to specify that there must be representation from separate constituent groups, when forming a quorum on the Board. The new governance proposed does however aim to ensure that ultimate control still rests with the tenants, by virtue of them having the majority shareholding (as referenced in para 3.6).

4. *Financial information*

There are no financial implications.

5. *Reducing Inequalities*

The proposed changes may affect the levels of tenant representation when holding quorate Board meetings, but not the overall resident control over the organisation as referenced in 3.6.

6. *Decide*

6.1 The Council can decide to give it's consent for Watmos to amend its Rules.

6.2 If the Council decide not to give consent for Watmos to change it's Rules, this is likely to impact negatively on any future governance rating Watmos would receive from the RSH, which could have implications as referenced in paragraph 3.3. This not only could risk damage to the working partnership between Watmos and the Council, but this decision would also not concur with the tenants' votes in favour of these changes.

7. *Respond*

If the proposals are agreed by Council, then officers will write to Watmos to confirm agreement.

8. *Review*

Watmos will provide Council officers with their annual report setting out how residents influence corporate strategy and shape service delivery.

Background papers

2003 Housing Stock Transfer Agreement

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