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CMH/JM
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Mr G Fitzgerald
Chief Executive
Sunderland City Council
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Dear Ged

Sunderland Housing Group – Restructure

I am writing to confirm Sunderland Housing Group's intentions following its restructure as regards three issues where you expressed concern.

First, there is no intention to transfer any of the former City Council housing stock out of the new Sunderland Housing Limited to the new Parent Company or to anyone else. Nor can we envisage any future circumstances where this would be countenanced. Moreover, there is no such covenant in the original Transfer Agreement (to which Sunderland Housing and the new Parent remain parties) and the Group can not agree to fetter its ability to make future decisions. In any event, the Housing Corporation have confirmed we cannot fetter Sunderland Housing's ability as regards its property.

Secondly, we can confirm that surpluses generated by the Group (whether by Sunderland Housing or other entities) will be used for the benefit of the Group as a whole subject to the existing restrictions contained in the original Transfer Agreement (to which Sunderland Housing and the new Parent remain parties). These restrictions contain the contractual comfort which you are seeking. The Group cannot agree to further fetter its ability to use surpluses – this would fundamentally constrain its ability to pursue the business growth agenda that the Council agrees is essential to its financial viability and the maintenance of employment in the City.

Lastly, you have asked for an indemnity against claims, from tenants that the promises made in the formal consultation document at the time of transfer have been broken (whether or not the claim is successful). We remain of the view that no Transfer consultation promises have been breached, and therefore no claim could be

made. Moreover, the Council has had the opportunity to vet the recent tenant's consultation on the group restructure proposals and the Council should be satisfied with that.

Yours sincerely

Peter Walls
Group Chief Executive