

Agenda item no: B38-1.22/23

Board minutes

Board meeting – virtual, Zoom – Wednesday 23 November 2022

Present:

Members

Lynda Sagona	Board chair
Christian Cadwallader	Board vice chair
Guy Stenson	Board member
Kevin Ward	Board member
James Tarrant	Board member
Chris Sutton	Board member
Mike Usher	Board member
Dale Walker	Board member
Andrew Gregory	Board member
Sarah Croft	Board member
Dr Jenifer Baxter	Board member

In attendance

Ceri Doyle	CEO
Gareth Yeoman-Evans	Executive director of finance & resources (EDofF&R)
Matthew Davies	Executive director of development (EDofD) and Deputy company secretary (DCoSec)
Sonia Furzland	Executive director of operations (EDofOps)
Sharon Wilkins	Director of homes and communities (DofH&C)
Sophie Taylor	Deputy director of finance & procurement (DDofF&P)
Chris John	Strategy, performance & risk lead (SP&RL)
Ben West	Governance & compliance officer/minute secretary (G&CO)

Observers

Robert Mathlin	Policy & social research advisor (P&SRA)
----------------	--

AGENDA ITEM

ACTION

- 1. Welcome to board members**
 - 1.1 The chair opened the meeting at 17:32 by welcoming members, colleagues and observer, and thanked everyone for their support over the last few weeks.
- 2. B28.22/23 – Apologies for absence**
 - 2.1 The board noted the apologies received from the company secretary, Joanna Fairley.

Resolution: Apologies were received and noted from Joanna Fairley

- 3. B29.22/23 – Declarations of interest**

- 3.1 Members noted the three declarations of interest as set out in the resolutions below.

Resolutions:

1. The board noted the executive directors and deputy directors had an interest in the digital approval for Welsh Government specimen signature proforma B30-5.22/23.
2. The board noted the chair, and four new board members had an interest in the digital approval for share membership applications B30-5.22/23.
3. The board noted that all board members had an interest in B30-7.22/23 digital approvals for the following items:
 - The 2022/23 results of the board member effectiveness questionnaire
 - The 2023/24 skills matrix and identified skills gaps
 - The board member succession plan
 - The adoption of an internal end of six-year board member process.

4. B30.22/23 – Digital approvals

- 4.1 The chair confirmed that following the noting of the digital approvals already recorded, further discussion could take place as requested by members. The following resolutions were digitally approved or noted through Convene and met quorum requirements of five members voting/noting:

Digital Resolutions:

1. B30-1.22/23 – The board approved minutes of the previous board meeting held on 28 September 2022
2. B30-2.22/23 – The board noted minutes of the previous ARC meeting held on 12 October 2022
3. B30-3.22/23 – The board noted minutes of the previous CCC meeting held on 26 October 2022
4. B30-4.22/23 – The board noted the three completed, two ongoing and two in progress matters arising
5. B30-5.22/23 – Governance reporting
 - The board noted the two Chair's actions
 - The board noted the seal was applied 21 times
 - The board approved the Welsh Government specimen signature proforma
 - The board approved the five new share membership applications
6. B30-6.22/23 – The board approved the revised financial regulations, scheme of delegations, standing orders and D&R Governance Framework

Addendum to B30-6.22/23 at page 13 of minutes

7. **B30-7.22/23 – Governance effectiveness**
 - The board noted the 2022/23 results of the board member effectiveness questionnaire
 - The board noted the proposed 2022/23 governance improvement actions and progress
 - The board noted the 2023/24 skills matrix and identified skills gaps
 - The board noted the board member succession plan
 - The board approved the adoption of an internal end of six-year term board member process
8. **B30-8.22/23 – The board approved the proposed meeting structure and forward board matrix**
9. **B30-9.22/23 – The board noted the Chair/CEO overview**

4.2 The chair advised members that no formal questions had been received in advance of the meeting and asked members if they wished to raise any questions.

4.3 A member explained that they voted against the forward board matrix B30-8.22/23 as they believed board meetings should be in person where possible. The board discussed the previous agreement for transactional board meetings to be held virtually and the potential difficulty of some members attending in person. The chair reminded members of the upcoming in-person board strategic planning day (BSPD) in January 2023 and remained open to reviewing the use of virtual board meetings in the future.

4.4 The chair informed members that two board meetings within the forward board matrix B30-8.22/23 fell inside school holidays and asked members if they required an adjustment to the matrix. No requests were made to the meeting.

4.5 The CEO highlighted details of the tragic death of a two-year-old from a respiratory condition caused by damp and mould in a property owned and managed by Rochdale Boroughwide Housing (RBH), which was referenced within the Chair/CEO overview B30-9.22/23. The CEO noted the RBH case was raised by members at the recent board touchpoint meeting and discussed how the association would utilise its strategic planning framework to oversee its approach to damp and mould and provide assurance to the board on the urgency and priority given to the findings of the RBH case by the association.

4.6 A member asked if the association planned to provide a separate report on damp and mould and how it would be comprehensively monitored and reviewed. The CEO reminded members that the board considered detailed analysis and review of damp and mould across

the association's properties last year and commented on the programme of work being run by the EDofOps. The CEO continued that the audit & risk committee (ARC) was overseeing a "priority" deep dive on damp and mould in the new year. The SP&RL confirmed the scheduled in-depth review of the association's repair services would be presented to the December ARC meeting, and an additional internal audit on repairs, featuring damp and mould, would be prepared by RSM in February 2023 for the March 2023 ARC.

- 4.7 The EDofOps spoke of previous reports covering damp and mould that went to board in July 2021 and ARC in March 2022 on the association's comprehensive work to both identify, and follow up on, homes with damp and mould. The EDofOps spoke of future reporting on damp and mould, under the Health & Safety (H&S) forum's remit. The EDofF&R added that the H&S forum was led independently by the EDofD, and reported quarterly to ARC, who had a standing agenda item for strategic risks that captured damp and mould.
- 4.8 A member commented on the Chair/CEO overview B30-9.22/23, thanking the executive for maintaining development projects during the disruptive change of firms entering administration. The EDofD discussed sector wide contractor risks and how Community Housing Cymru (CHC) was gathering data nationally to understand which contractors have major commitments across Wales to improve housing association and Welsh Government (WG) insight.

Christian Cadwallader joined the meeting at 18:00

- 5. B31.22/23 – Q2 integrated performance report**
- 5.1 The SP&RL introduced the quarter two integrated report, July–September 2022, highlighting its use as the mechanism for monitoring progress against the NCH 2025 strategy, which sought to align the golden thread between performance, supporting metrics, financial information, value for money (VfM), operating and risk environment, and business change programme progress. The SP&RL commented on the economic environment that continued to create challenges for customers and uncertainty for the association, which contributed to the pressure on rent accounts shown in appendix 1 of the report.
- 5.2 A member queried the budget variance underspend for Pill highways, asking how the association managed project slippage when redistributing resources, and what effect this had on the association's new homes target. The EDofD explained that the association took a dynamic approach, by redeploying colleagues temporarily to other projects across multiple works. The EDofD went on to confirm that this case related only to a highways delay and the new homes had

already been delivered and would not impact negatively on the association's target.

- 5.3 The EDofOps discussed how the highways delay had affected the planned programme for works on walkways in the area, monitoring mechanisms, monthly account and phased spending. The EDofOps clarified that the association's frameworks provided sufficient flexibility to move planned works confirming that although the planned spend in Pill would move to the next financial year the association would bring forward alternative projects to ensure the planned budget was spent by the financial year end.
- 5.4 The DDofF&P added that the finance team worked closely with both assets and development for budget setting, was conscious that budget capacity may reduce over the next year, and the association would bring forward work this year so as not to over commit in the next financial year.
- 5.5 A member commented on the statement of empowering communities in the report, paragraph 4.6, asking if the association had pathways for members of the community to work within the development schemes. The EDofOps commented on where the association worked closely with contractor relationships and procurement activity to improve community investment based upon the specific needs of an area. The EDofOps went on to provide detail on the community capacity building work being undertaken by the new community development facilitators. The EDofOps concluded that the association was mapping community resources, in partnership with the local council and health board to reduce duplication and had seen a positive shift in the level of engagement since the association moved to neighbourhood working.
- 5.6 The DofH&C commented on the association's work in targeting resources at the specific needs of each community, apprenticeship programmes delivered through partnerships, and the association's own work with apprenticeships in areas including administration, finance, and social media. The DofH&C went on to discuss the importance of understanding the association's workforce planning needs before targeting future apprenticeship opportunities and the journey in developing its 'what matters' plans. The member commented on the positivity of the approach and suggested it would be useful to understand clear pathways and targets as this developed.
- 5.7 The EDofD added that the association met WG requirements for community benefits through procurement activity and worked with contractors to provide local opportunities for apprenticeships on

targeted development schemes, including the Ringland masterplan. The EDofF&R referenced the October 2022 Colleague & Culture Committee (CCC) which had reviewed the people plan. The EDofF&R continued that the plan focused on delivering the right skills, right colleagues, in the right roles, and included the use of apprenticeships and graduate programmes as part of a plan to bring greater inclusivity, representation, and diversity to the workforce.

- 5.8 A member posed three linked questions to colleagues, requesting assurance on the outcome of the void performance review, an update on delivering against the new homes target, and the association's plan for decarbonisation, noting the EPC-C figure of 43% remained static. The DofH&C confirmed the void turnaround times were decreasing every quarter, recognising the lagging measure reported and that the association had not yet reached its target. The DofH&C continued that the voids & lettings review was not intended as a full-scale review, rather to refresh end-to-end processes and empty homes standards, taking into consideration the learning obtained from COVID-19 ways of working and the association's new place-based approach, centred upon delivering an exceptional moving in experience. To measure the success, the DofH&C shared the outcome of a recently launched small pilot transactional survey, that measured customer satisfaction at over 90% for those moving into their new homes.
- 5.9 The chair commented on the member's second question, around the delivery of new homes, asking how this would impact revenue for the association. The EDofD confirmed the 76 homes delivered at Coverack Road earlier in the year and provided detail of almost 100 further homes across developments set to complete this financial year and agreed that delays would impact income and revenue for the association. The EDofF&R confirmed that any impact to income and revenue was shown in the accounts, which had been offset by the higher return on treasury deposits that the delay in capital expenditure had caused. The EDofF&R discussed the review of major risks in the housing market, commenting that insight showed demand remained for shared ownership properties and the projected delay in sales would interrupt cashflow, but not overall income, which was being monitored and managed.
- 5.10 The EDofOps referred to the association's commitment to meet EPC-C by 2025 and the challenges faced due to the volume of homes requiring work, some of which were in regeneration areas with programmes completing beyond 2025. The EDofOps commented on the progress made on decarbonisation to meet net zero through the fabric first approach, with a recent grant application submitted to WG

for £3.5m in match funding. The EDofOps confirmed the decarbonisation road map remained fabric first, followed by fuel source and energy source, and commented on the need to further educate customers in understanding the costs involved in heating their homes using smart meters and other technologies.

- 5.11 The EDofF&R went on to discuss the association's work with local authorities and Registered Social Landlords (RSLs) to secure over [REDACTED] in funding across five partners, supported by WG, to deliver decarbonisation of existing homes. The EDofF&R concluded that there would be compromises and difficult decisions to make on the association's ambition of decarbonisation, due to the costs involved, and discussed how collaborative working could help stretch resources further.
- 5.12 A member queried the anticipated further rise in rent arrears, asking if the association should bring forward the increase to the welfare fund to this financial year. The CEO confirmed the fund had not yet been exhausted and would be monitored and kept under review moving into the next quarter.
- 5.13 The chair remarked on the impressive detail in the report, there being no further questions the board noted and approved the report.

Resolutions:

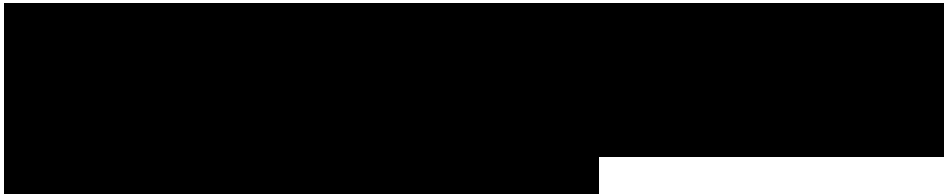
- 1. The board reviewed and noted the performance at appendix 1**
- 2. The board approved the management accounts at appendix 2**
- 3. The board approved the treasury report at appendix 3**
- 4. The board noted the development and regeneration programme dashboard at appendix 4**
- 5. The board noted the major risks: key concerns and key controls at appendix 5**

The board broke at 18:30 and returned at 18:36

- 6. B32.22/23 – Business plan: scenario planning and mitigation strategy**
- 6.1 The DDofF&P provided the board with detail of performed stress testing and mitigation planning against the 2022-52 business plan, explained the need for testing in the current economic environment to demonstrate the association's capacity to weather and mitigate financial shocks. The DDofF&P expanded on each section of the report, providing detail on the update to the approved 30-year business plan that included revised modelling on development slippage, Consumer Price Index (CPI) inflation and the cost of future funding.

6.2 The DDofF&P informed members of changes to the business planning cycle, which saw the treasury strategy and policy moved to May in the annual cycle to allow the outcome of the 30-year business plan to drive the treasury strategy, whilst providing time to bring external assurance from the association's treasury advisors, Centrus, to board. The DDofF&P commented on the association's loan covenants and internal golden rules, referring to appendix 1 which provided detailed financial modelling on the base plan and perfect storm scenarios. The DDofF&P concluded by explaining the EBITDA-MRI and EBITDA covenant graphs, the difference between the two measurements, and that a move to an EBITDA only calculation would maximise the association's capacity against the covenant.

6.3



6.4 The EDofF&R commented on the expected increase in development contract pricing and the association currently benefitting from [redacted] of low-cost funds. The EDofF&R added that challenges would occur in the viability of new schemes where both funding and development costs would be higher, and decisions would be made within the development & regeneration governance framework (D&RGF).

6.5 The EDofD confirmed that the environment would be challenging, and the association needed to find opportunity to reduce costs and mitigate against increases where possible.

6.6 The EDofD and EDofF&R brought attention to the association's programme approach to mixed tenure schemes, which provided greater flexibility with the ability to respond to market demand.

6.7 A member asked if development was sustainable at current levels and would the market slow down allow the association to increase its landbank. The EDofF&R agreed that recession and economic crises had historically benefitted housing associations and the ARC would review the capacity and opportunities available with contractors and land banking.

6.8 A member asked what demands were placed on contractors for decarbonisation, and if the association should commit to fewer developments and place greater emphasis on increased community

CEO/chair

health and sustainability. The CEO accepted the importance of the question and the chair agreed this would form part of a broader debate and discussion at a future BSPD.

- 6.9 A member raised the impact of decisions on local communities and how the association needed to understand the transformation Newport would undergo over the next few years. The CEO explained that the EDofF&R and DDofG&CS had been exploring improvements to member induction which would provide wider contextual awareness to the points raised. DDofG&CS
- 6.10 There being no further questions the board noted and approved the report.

Resolutions:

- 1. The board noted the changes to the business planning cycle set out in section 3**
- 2. The board noted the results of the scenario testing set out in section 8**
- 3. The board approved the mitigation plan that will be used to bring the base plan back into compliance with the golden rules to the extent required following the budget setting and corporate planning process.**

7. B33.22/23 – Old Town Dock contract approval

7.1 The EDofD presented the report, which provided background on previous approvals and contracts for the development, requesting board approve entry into a construction contract with [REDACTED] to provide a mixed tenure development at Old Town Dock for a total scheme cost of [REDACTED].

7.2 The EDofD explained that [REDACTED] subject to approval. The EDofD highlighted the energy strategy of the fabric first approach, the air source heat pump installations, the progress on the Sustainable Drainage Systems (SuDS) and SuDs Approving Body (SAB) approval, detailed in the report, and a solution which required a minimal cost uplift of [REDACTED]. The EDofD concluded that subject to satisfactory due diligence and SAB approval, development work could begin early in the next financial year.

7.3 A member queried the increase in land bank capacity on completion of the scheme and questioned the use of air source heat pumps, asking whether customers required education and support to maximise the benefits of these new technologies. The EDofD agreed that opportunities were emerging to landbank as land was being offloaded, and the association should look to capitalise where appropriate. The EDofD continued that the use of air source heat

pumps would be delivered in conjunction with an education piece for customers and colleagues to maximise the benefit. The EDofD and members discussed the availability of parts and confirmed that access to parts and maintenance was improving as the use of the technology continued to grow.

- 7.4 Members went on to discuss processes for place-making, UK best practices, the creation of design guides for architects, and appropriate solutions based upon feedback from local authorities and consultation. Members concluded by focusing on opportunities to work with other RSLs and the Design Commission for Wales place making approach.
- 7.5 There being no further questions the board noted and approved the report.

Resolutions:

1. **The board approved Option 1 for the association to enter into the [REDACTED] [REDACTED] to construct 149 new residential homes and one commercial unit for a total scheme cost of [REDACTED].**
 2. **The board approved in accordance with the delegations included within the D&RGF, for the CEO, EDofOps and EDofF&R to sign and seal all documents associated with the Option 1 transaction.**
 3. **The board were satisfied that the additional due diligence undertaken, [REDACTED] [REDACTED] did not present an adverse risk to the delivery of the project.**
 4. **The board approved the use of a written procedure for any additional costs in attaining SAB approval over and above those included within the total scheme cost.**
8. **B34.22/23 – Rent increase and affordability**
- 8.1 The DofH&C introduced the report and thanked the board for the constructive workshop which provided board with the opportunity to listen to customer feedback on affordability, the cost-of-living crisis and which took into account the assumptions in the business plan and value for money framework. The DofH&C provided background on WG’s responsibility for setting social rent policy and explained that following WG confirmation of the maximum allowable rent uplift for 2023-2024, along with the Chancellor’s confirmation in the Autumn Statement that pensions & benefits would rise in line with CPI, the association was recommending a rent uplift of 6.5%, which had been informed by discussions held at the board workshop.

- 8.2 The DofH&C went on to recommend that in line with discussions held at the workshop, the uplift would be applied equally to customers with an affordable rent assessment, and that by applying a 6.5% rent uplift, 100% of the association's rents would meet the affordability model as set out by the Joseph Rowntree Foundation (JRF). The DofH&C concluded that where any rents did not meet the affordable rent assessment, due to service charges, the association would freeze or reduce service charges instead of rent, which required a change in the Social Rent Setting policy, which had been updated to reflect this.
- 8.3 A member gave their full support to the proposal, thanked colleagues for the workshop and queried the association's approach to shared ownership properties. The DofH&C confirmed that the association would apply the approved uplift to traditional shared ownership properties inherited at stock transfer, explaining that the newer shared ownership stock had a contracted rent uplift of CPI plus 1% which would be applied from April 2023**. The DofH&C concluded that the association would work with individual customers to understand where support could be targeted for cases of financial hardship.

***Post note:* Following the board meeting, the social housing sector in Wales has agreed to voluntarily restrict the rent uplift for all shared ownership properties to a maximum of 6.5%. Consideration is being given to the most appropriate means of implementing this approach within the terms of the tenancy agreements in place.

- 8.4 A member referenced paragraph 3.3 of the report that set out the WG conditions for the rent uplift and noted that the association would need to action communication and engagement work around the rent uplift, requesting assurance these conditions would be met. The DofH&C confirmed, following a meeting with the head of communications (HdofC), planning would be put in place for an engagement campaign to reach customers and partner organisations across Newport. DofH&C/
HdofC
- 8.5 A member enquired as to the position of other housing associations in Wales and whether a sector wide approach to communications was needed. The CEO discussed how CHC would announce that member organisations apply affordable rent modelling and explained that those housing associations without affordable JRF modelling would face difficult decisions. The CEO spoke of the difficulty in providing a sector wide approach to communications and that housing associations should consider lobbying for independent rent setting in the sector. The DofH&C reiterated that the association had achieved 100% affordable rents which provided a strong message to customers, in comparison with others in the sector.

- 8.6 There being no further questions the board approved the report with a flexible application to the 6.5% rent uplift.

Resolutions:

1. The board approved a 6.5% rent uplift for 2023–2024; remaining within the overall maximum allowable rent envelope, and requested the uplift be applied flexibly by:
 - freezing or reducing service charges for all homes with an unaffordable Living Rent assessment, as determined through application of the approved JRF Living Rents method of assessing affordability
 - ensuring rent for all homes with an affordable rent assessment be uplifted equally
 - increasing the welfare fund, to be established through the budget setting process, and reporting to board for approval in March 2023
 - supporting the conditions identified by WG in paragraph 3.3
 2. The board approved the proposed amendments to the social rent setting policy at *appendix 1*.
- 9. B35.22/23 – Any other business**
- 9.1 The chair reminded members of the importance of understanding the association’s homes by attending the bus tour which would visit local communities and customers. DDofG&CS
- 9.2 The chair thanked the vice chair for stepping in during the chair’s absence.
- 9.3 There being no any other business, the chair wished everyone a Happy Christmas and closed the meeting at 19:40.

Date of next meeting – 29 March 2023

Addendum to B30-6.22/23 - revised financial regulations, scheme of delegations, standing orders and D&R Governance Framework

1. Following 23 November 2022 digitally approved B30-6.22/23, revised financial regulations, scheme of delegations, standing orders and D&R Governance Framework (D&RGF), an inconsistency was identified between the D&RGF and the Financial Regulations (FR).
2. In paragraph 4.12 of the D&RGF a new section was added covering investment, see extract below for reference. This new section had been overlooked when reviewing the revised FRs.
3. Board is requested to approve as part of the digital board minutes approval process, for section 4.12 of the D&RGF to be added to the FRs for board approval at its next revision on the 29 November 2023.

D&RGF extract:

4.12 Investment

NCH's Growth Strategic Commitment recognises Investment as a key focus in order to enable the association to attain its growth aspirations and maintain financial strength. Investment activity seeks to create a financial return that is greater than investing our funds on the money/capital markets. In addition, investments should:

- offer a longer-term future residential development opportunity.
- complements existing residential intentions
- include initial secure covenant occupiers
- be a potential springboard to growth into other geographical area
- offer an opportunity to collaborate/partner with other organisations

4.12.1 Investment opportunities will be considered in line with the level of delegations as set out in Section 3.