

Agenda item no: B10-1.23/24 – CRD 1

Board minutes

Board meeting – virtual, Zoom/Microsoft Teams – Wednesday 24 May 2023

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)
Sonia Furzland	Executive director of operations (EDofOps)
Joanna Fairley	Deputy director of governance and Company secretary (DDofG&CS)
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)

Observer

Alexandra Phillips	Business planning & treasury manager (BP&TM)
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	AGENDA ITEM	ACTION
1.	Welcome to board members	
1.1	The chair opened the meeting at 17:30 by welcoming members, colleagues and observer.	
2.	B1.23/24 – Apologies for absence	
2.1	Apologies were received from Marsine Kousarieh.	
3.	B2.23/24 – Declarations of interest	
3.1	Members noted Chris Sutton’s declaration of interest in the Ringland regeneration cost update report (B6.23/24), as member of the Cardiff Capital Region (CCR). This was not considered to be a disqualifying interest as the member did not sit on the awarding committee.	

Christian Cadwallader joined the meeting at 17:37

4. B3.23/24 – Digital approvals

4.1 The chair confirmed the following resolutions were digitally approved or noted through Convene and met quorum requirements of five members voting/noting:

Digital Resolutions:

1. **B3-1.23/24 – The board approved the minutes of the previous board meeting held on 29 March 2023**
2. **B3-2.23/24 – The board noted the two complete, one ongoing and one in progress matters arising**
3. **B3-3.23/24 – Governance reporting**
 - The board noted the three chair's action, numbers 1-3 since 29 March 2023 board
 - The board noted the company seal had been used 24 times for numbers 144-160 & 1-7 (2023-2024 sealing register) since the 29 March 2023 board
4. **B3-4.23/24 – CHC Directors, officers & volunteer's indemnity policy**
 - The board noted the action that cover for the association under such policy was conditional upon immediate notice in writing to Community Housing Cymru of any claim made against any person insured by the policy or of the receipt of notice from any persons of intention to make a claim against any person insured by the policy
 - The board agreed that if any board member (present or absent) or senior executive was aware of any such claim or any such notice of intention or of any circumstances or incident which may give rise to a claim he or she would immediately notify the company secretary of the association in order that notice in writing together with all relevant details could be submitted to Community Housing Cymru
 - The board confirmed it was content to proceed with the additional top up policy with cover of £1m for each claim
5. **B3-5.23/24 – Contract approvals - High-Rise Residential Buildings (HRRBs)**
 - The board approved in accordance with F6.2, scheme of delegation, (>£3m) to enter into a contract, procured through WPA, of up to £4,600,000 to undertake the safety works identified
 - The board approved delegation to the CEO, executive directors and company secretary for all signing and sealing documentation related to entering into the work contract/s

6. B3-6.23/24 – Chair/CEO overview

- 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 raised the board pack length and time needed to review reports. The DDofG&CS advised that the pack length was standard for the sector and benchmarked regularly against the sector. The DDofG&CS offered to meet with interested members to discuss the association's approach to report writing and board packs and reminded members that the subsequent compliance board pack for the 26 July meeting would be larger due to the nature of reporting.

DDofG&CS

5. B4.23/24 – Q4 integrated performance report

5.1 The SP&RL introduced the Q4 integrated report for January–March 2023 and the full financial year 2022-2023, confirming that customer satisfaction remained a priority with repairs, income and customer experience the three key priorities in the association's change programme. The SP&RL described how the upward trend in rent arrears had slowed in Q3 and began declining towards the end of Q4, matching industry trends and highlighted to the board that the decrease in inflation was below expectation and the predicted increase in the Bank of England's (BoE) interest rate, later this year, would continue to impact customers and the association.

5.2 The SP&RL concluded the report commenting on the £5.5m surplus for the 2022-2023 year, against the budgeted £3.2m, and described improvements to the ethnic minority recruitment metric that demonstrated job applicants from ethnic minority backgrounds accounted for 14.4% of all applicants, compared with 14.5% living in Newport and 10.1% of ethnic minority appointments made by the association during the year.

5.3 A member questioned the high Q4 rate of attrition for ethnic minorities and the SP&RL confirmed the 23% figure represented all colleagues and ethnicities within the association, and related to six colleagues out of 26 who joined the association in Q4 2021-2022 and left within 12 months, of which the association understood reasons for departure and had not identified cause for concern.

5.4 A member observed the housing cost per unit had increased significantly for the year and remained above the sector average. The EDofF&R explained that the association continued to work within its Value for Money (VfM) framework, adopted a sector score card with

15 metrics and reported against three strategic priorities, commenting that the calculation and benchmarking did not always provide a true picture. The EDofF&R added that costs had increased with strategic voids, LSVT associations saw higher costs due to the condition of older stock and the association's change programme would address higher than benchmark costs through the repairs done right project.

Sarah Croft joined the meeting at 17:45

- 5.5 The member responded that the cost per unit still appeared high and would expect to see a figure of approximately £4,500 - £5,000 for an LSVT. The EDofF&R explained that the recent £900k emergency spend in Duffryn had impacted upon the figures.
- 5.6 A member asked for clarity as to the threat posed to development caused by planning delays. The EDofD confirmed local authorities (LA) were experiencing planning resource shortages, which had in some cases affected communication with planning officers and resulted in previous advice being reviewed and contradictory advice provided. Limited resources in planning was a sector wide challenge.
- 5.7 A member questioned why the association had seen a rise in calls abandoned to 9.17% in Q4 and the SP&RL confirmed it was due to a demand surge in early January as result of Christmas and poor weather conditions. The SP&RL explained the association anticipated demand throughout the year and this short surge caused a higher calls abandoned rate that settled by the end of the quarter.
- 5.8 A member asked if the association would take corrective action on the steadily increasing cost per unit. The EDofF&R advised of the approach to value for money (VfM) through the sector scorecard and the 15 associated metrics which indicated higher than benchmark costs and referenced the VfM framework and action plan. The DDofF&R confirmed their team was looking at component replacement costs following the ARK consultancy review which would be supported by benchmarking.

The virtual Zoom meeting ended and all participants re-joined the meeting via Microsoft Teams at 18:09

- 5.9 A member asked if the board should be concerned if there was no movement in the cost per unit over the next 12 months. The member suggested a direction of travel indicated through RAG ratings and the chair commented on the potential effectiveness of highlighting significant movement in the metrics. The CEO accepted the need for colleagues to review the Integrated Performance report and consider **SP&RL**

the need for explicit reporting in key areas to provide additional assurance.

- 5.10 The board approved the recommendations set out in the covering report and detailed in the resolutions below.

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**
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6. **B5.23/24 – Treasury strategy & policy**
 - 6.1 The DDofF&P presented the revised treasury strategy and policy detailing updates against previous actions, the four key objectives and headline outcomes delivered through the strategy.
 - 6.2 The DDofF&P drew members' attention to section three of the covering report that set out the business plan assurance provided by Centrus and RSM, before highlighting section four of the report and explaining the biannual work undertaken to review and understand the association's A3 credit rating and the importance of its effect on future funding costs.
 - 6.3 The DDofF&P discussed the reduction in financial capacity caused by inflationary pressures and changes to policy and described ongoing funding discussions with treasury advisors on liquidity requirements to maintain the golden rule. The DDofF&P added that the association was considering an increase of liquid funds through Revolving Credit Facilities (RCF) to maintain 18 months of cash and would present indicative terms to board in September 2023 for approval. **DDofF&P**
 - 6.4 The DDofF&P brought members' attention to section seven of the covering report summarising the treasury management policy, detailing risk management and assurance. The DDofF&P confirmed there were no significant changes and highlighted a wording change to the minimum cash balances accepted by Centrus.
 - 6.5 The DDofF&P advised of the proposed change to the golden rules with the addition of a market risk test that limited the association's investment portfolio to ██████ in value. The DDofF&P explained that with a new focus on growth commitment and the recent purchase of ██████ the association required updated corporate controls to ensure risk continued to be managed effectively.

- 6.6 The DDofF&P concluded the report, highlighting the ongoing arrangement with Centrus and the potential need for a market test exercise, to assess VfM and ensure compliance, once work on funding requirements was complete.
- 6.7 A member queried the investment portfolio golden rule of [REDACTED] suggesting that risk lay with the quality of investment as opposed to cost and suggested the board explored investment portfolio risk further. The DDofF&P confirmed the association closely evaluated its decision making and governance prior to selecting investment opportunities and the EDofF&R referenced the association's growth commitment that described the financial return, community benefit and environmental credentials that needed satisfying prior to purchase.
- 6.8 A member queried the purpose of the financial golden rules, commenting that the association would knowingly come close to the limit in 2024 and recommended the association set tolerance bands for management discretion and report trends to board for early warning. The DDofF&P confirmed the association would continue to develop its reporting, exploring ways of presenting the treasury metrics to provide appropriate assurance to the Board. The EDofF&R explained the association had appropriate mechanisms in place and the treasury management policy was clear on his accountability and responsibility to alert the board to financial concerns at the earliest opportunity.
- 6.9 A member highlighted the integrated report data that demonstrated the association would come close to its liquidity golden rule in March 2024, asked how the liquidity risk was currently managed and whether ISDA agreements (Swaps and Derivatives) should be in place as part of the management strategy. The DDofF&P confirmed the association was actively managing risk with its treasury advisors by reviewing routes to market, exploring ISDAs and ensuring documentation was in place to act swiftly. The DDofF&P concluded the route and speed to market would be critical in managing liquidity risk and maximising opportunities and the presented funding approach was the beginning of the journey with reporting methods developing alongside.
- 6.10 The board approved the recommendations set out in the covering report and detailed in the resolutions below.

Resolutions:

- 1. The board approved the treasury management strategy**
- 2. The board approved the treasury management policy**

3. The board approved the proposed changes to the golden rules
4. The board noted the negotiations on revolving credit as detailed at section 6
5. The board noted that formal loan documentation would be brought back to board for approval

The board broke at 18:39 and returned at 18:45

7. **B6.23/24 – Development & regeneration governance framework approvals**

7.1 The EDofD presented the D&RGF approvals covering report and outlined the five development and regeneration schemes seeking board approval.

7.2 The EDofD drew members' attention to the Ringland regeneration cost update report, setting out a [REDACTED] cost increase from the initial [REDACTED] approved at the November 2021 board meeting, for [REDACTED]. The EDofD confirmed that early pre-contract discussions helped identify value engineering solutions to limit the increase to [REDACTED], which gave a new average build cost of [REDACTED] per square metre that matched the current market rate, benchmarked by cost consultants.

7.3 The EDofD advised of the challenges of the Ringland regeneration project and highlighted the scheme's negative Net Present Value (NPV), commenting on the Development and Regeneration Governance Framework (D&RGF) that allowed for a negative NPV where a scheme offered wider community benefits, which in this instance included an improved retail offering, place making, and a reduction in anti-social behaviour. The EDofD concluded the association had received [REDACTED] from CCR and would continue to review further funding opportunities and tenures that would improve the NPV whilst delivering quality energy efficient homes during a housing crisis.

7.4 A member asked if the association could recognise and model the positive social impact in the community that balanced the negative NPV. The EDofD discussed the neighbouring Cot Farm development that produced a positive NPV which could help offset the scheme as part of the overall regeneration area and suggested exploring specific tools, such as those from WG, which could be used to measure social impact. The chair agreed that the regeneration impact was broader than just homes and that it would be helpful to see how individual schemes fitted within the overall development programme.

EDofD

- 7.5 A member requested further context on the site and information on carbon benefits, before asking if the scheme was presented to the Design Commission for Wales (DCfW). The EDofD directed the member to a link in the report that provided additional context and confirmed the association was required to achieve EPC-A as a minimum standard and could not use fossil fuels for heating or hot water. The EDofD added that the scheme was not presented to the DCfW and that the association had worked closely with the LA during planning.
- 7.6 A member observed the significance of the scheme and positive impact on the community. The CEO discussed improvements to community cohesion since the Cot Farm development and commented on the need for further LA partnership working and the request for increased strategic housing meetings, whilst remaining aware of the resource challenges within the LA.
- 7.7 A member asked whether the contract price fluctuations had resulted in achieving [REDACTED] or whether opportunities existed for further funding applications. The EDofD confirmed that the funding had come from receiving funds in advance of when they were originally due in the PDP and that opportunities remained to discuss further funding and the association had acted prudently by excluding these opportunities from the financial modelling presented.
- 7.8 A member discussed the likelihood of further schemes requiring board approval for updated costs due to the inflationary environment, the need to promptly resolve them and asked what work had been considered around hurdle rates. The EDofF&R described the change in hurdle rate from 4% to 5% and how the contingency in place and the ability to review tenures through the life of the scheme could assist in improving the rate of return. The EDofF&R explained the association had previously borrowed at a low interest rate and the long-term viability of the development programme required a rate of 5% or higher to offset future increased borrowing rates.
- 7.9 The EDofF&R reminded members that the board agreed to take a whole programme approach as opposed to viewing schemes in isolation and suggested a review of development risk appetite to ensure the association was taking appropriate risks. **EDofD and SP&RL**
- 7.10 A member asked if the association utilised Planning Performance Agreements (PPA) and the EDofD confirmed the association had explored them with the LA and did not see a benefit due to the LA's capacity to allocate a dedicated resource.

- 7.11 The board approved issuing a confirmation notice to [REDACTED] the increased total scheme cost of [REDACTED] and the recommendations set out in the Ringland regeneration cost update report, detailed in the resolutions below.
- 7.12 The EDofD introduced the Bridge Street report and discussed the Heads of Terms, setting out the recommendations for board consideration. The EDofD highlighted the need for contractors with hotel and residential experience to deliver the 80-room hotel, 44 residential apartments and two retail units.
- 7.13 The EDofD outlined [REDACTED] approach and the [REDACTED] [REDACTED] providing an annual income of [REDACTED] with a break at [REDACTED], subject to rent arrears. The EDofD added that the agreement would provide [REDACTED] with [REDACTED]
[REDACTED]
- 7.14 A member questioned whether a delay in completion of the hotel development would expose the association to financial risk. The EDofD explained that the construction contract would include a liquidated damages clause to ensure the liability for financial penalties for delay passed to the contractor.
- 7.15 A member queried the risk of capping rent increases at [REDACTED] [REDACTED] asking if this would restrict the association at a further point in time. The EDofD confirmed the agreement with [REDACTED] would be for a full repairing and insuring lease, removing the association from those obligations and limiting exposure.
- 7.16 A member asked if the association had shifted the balance of developments with a reduction in social rent properties and whether this met the needs of the city. The EDofD advised that social rent provision was driven by the LA who requested a mixed tenure balance within the city centre without overprovision and the association was attempting to meet this requirement.
- 7.17 A member suggested the association needed a greater understanding on the impact of the LA's demands, adding that the association was not a core commercial developer. The EDofD agreed the association's need to review the tenures contained across the programme to ensure the overall attainment of our mixed tenure aspirations. The EDofF&R stressed that the association's approach to tenures delivered a high volume of affordable homes through a

range of products including social rent, intermediate rent and shared ownership.

- 7.18 A member questioned whether the grid capacity risk rating was consistent with current National Grid capacity, recognising the association was competing with other developers in Newport. The EDofD confirmed the rating was based upon previous communication provided by NCC following its ongoing contact with National Grid and who had advised capacity for proposed developments was being made available through the redistribution of supplies. The EDofD added that National Grid would increase capacity by 25% by 2026 through investment in a new sub-station and members would see a mix of grid capacity risk ratings where some areas in Newport awaited further investment. The EDofD continued that further advice was received from National Grid indicating sufficient capacity for the proposed developments and the association would continue to seek confirmation for individual schemes.
- 7.19 A member discussed that the LA appeared to be reaching capacity in converting commercial properties to residential in the city centre and acknowledged work was needed to improve infrastructure for residential developments. The CEO understood there were suggestions of resistance to reassigning properties and that the volume of vacant commercial units suggested the need for a concentrated retail offering and refreshed city master plan.
- 7.20 A member enquired as to the known carbon footprint of the proposed [REDACTED] and how this would reflect upon the association. The EDofD responded that the association would seek clarification on the initiatives they undertake. The CEO discussed the need for the sustainability commitment to align with growth and investment, which would be considered with the annual commitment report due at the 29 November board meeting.
- 7.21 A member explained the LA continued to utilise hotels in Newport for temporary accommodation and suggested this development could assist in addressing homelessness in the city. The CEO confirmed the association continued to meet with the LA to discuss homelessness and the EDofD was working to illustrate the cost benefit of working closer on temporary accommodation, whilst the EDofOps would be representing the association at an upcoming strategic homelessness meeting.
- 7.22 A member commented that the proposed development was a significant venture with a robust partner in [REDACTED] and represented a strong investment for the surrounding area and

association. The chair agreed, adding that a [REDACTED] in the current climate was a great achievement.

- 7.23 The board approved entering into Heads of Terms with [REDACTED] and the recommendations set out in the Bridge Street report, detailed in the resolutions below.
- 7.24 The EDofD outlined the [REDACTED] report and opportunity to acquire the development site on Usk Way from [REDACTED]. The EDofD requested approval to acquire the site for [REDACTED] and enter into a pre-construction agreement to a value not exceeding [REDACTED] prior to entering into a JCT contract with [REDACTED] for a total scheme cost not exceeding [REDACTED].
- 7.25 The board approved the report recommendations and resolutions below that included the site purchase and pre-construction agreement for [REDACTED].
- 7.26 The EDofD presented the Emlyn Walk report, informing members the scheme was previously reviewed by board in July 2019, prior to site purchase. The EDofD explained that demolition costs had increased by [REDACTED] due to structural complications exposed during the demolition stage and requested board approval for the increased cost.
- 7.27 The board approved the additional demolition costs and recommendations set out in the Emlyn Walk report, detailed in the resolutions below, which included an updated proposal to deliver 50 residential and three commercial units.
- 7.28 The EDofD introduced the updated regeneration voluntary purchase scheme (VPS) report and highlighted the approvals being sought from board to commence phase two of the scheme at a cost [REDACTED] as contained in the association's business plan.
- 7.29 The board approved the phase two costs and recommendations set out in the regeneration VPS report, detailed in the resolutions below.

Resolutions:

Ringland Masterplan

- 1. The board approved the association issuing a confirmation notice to [REDACTED] to continue with Section 2 works (38 general needs apartments, 12 commercial units and external works) in the Ringland district of Newport**
- 2. The board approved the total increased costs associated with the Ringland Masterplan scheme for the new contract sum of [REDACTED]**

3. The board approved to delegate authority to the CEO, EdofF&R, EdofOps, EdofD and Company Secretary to sign and seal all documents associated with these transactions

Bridge Street (Former Fire & Ice)

4. The board approved the association entering into Heads of Terms with [REDACTED] on the basis summarised in section 4.4
 5. The board approved the association entering a Pre-Construction Services Agreement (PCSA) with a selected preferred contractor to a value not exceeding [REDACTED]
 6. The board approved to delegate authority to the CEO, EdofF&R, EdofOps, EdofD and Company Secretary to sign and seal all documents associated with these transactions [REDACTED]
 7. The board approved the association acquiring the Jacks Pill, Usk Way site from [REDACTED] for [REDACTED]
 8. The board approved the association entering a Pre-Construction Services Agreement (PCSA) with [REDACTED] to conduct the site enabling works to a value not exceeding [REDACTED]
 9. The board approved the association entering into a JCT contract with [REDACTED] for a scheme with a total scheme cost not exceeding [REDACTED]
 10. The board approved to delegate authority to the CEO, EdofF&R, EdofOps, EdofD and Company Secretary to sign and seal all documents associated with these transactions
- Emlyn Walk*
11. The board approved the recommendation at Option 1 (5.8.1), to proceed with the demolition of Emlyn Walk for the total additional cost of demolition works of [REDACTED]
 12. The board approved the association progressing the updated proposal to deliver 50 residential and three commercial units with approval of the scheme costs to be the subject of a further board report following the outcome of a procurement process
 13. The board approved to delegate authority to the CEO, EdofF&R, EdofOps, EdofD and Company Secretary to sign and seal all documents associated with these transactions
- Regeneration Voluntary Purchase Scheme*
14. The board approved the continued acquisition of further privately owned homes in Somerton, Alway and Gaer within an additional budget [REDACTED] which was contained in the regeneration programme included in the 2023/53 business plan
 15. The board approved to delegate authority to the CeO, EDofF&R, EDofOps, EDofD and Company Secretary to sign and seal all documents associated with these transactions

8. B7.23/24 – Any other business

- 8.1 The chair reminded members of the importance of understanding the association's communities in need of investment by attending the forthcoming bus tour on 12 July.

- 8.2 The chair encouraged members to attend the upcoming Bitesize sessions on Development and Regeneration, which would take place separately on 28 June and 19 July at Nexus House.
- 8.3 The chair drew members' attention to the ribbon cutting event for Griffin Island on the 23 June and the in-person Board Strategic Planning Day on 21 June.
- 8.4 There being no any other business, the chair closed the meeting at 19:42.

Date of next meeting – 26 July 2023