

Agenda Item No B12-2.20/21 Board Minutes

Virtual Board Meeting – Tuesday 19 May 2020 17:30

Present:

Members:

| | |
|-----------------------|------------------|
| Nicola Somerville | Board chair |
| Janice Morgan | Board member |
| Kevin Ward | Board member |
| James Tarrant | Board member |
| Guy Stenson | Board member |
| Christian Cadwallader | Board member |
| Chris Sutton | Board co-optee |
| Alex Stephenson | Board vice chair |

In Attendance:

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|-------------------|---|
| Ceri Doyle | Chief executive (CEO) |
| Rob Lynbeck | Executive director of operations (EDofOps) |
| Tim Jackson | Executive director of transformation (EDofT) |
| Matthew Davies | Executive director of development (EDofD) |
| Stephanie Bradley | Interim director of finance & resources (IDofF&R) |
| Chris John | Strategy & business intelligence manager (S&BIM) |
| Joanna Fairley | Head of governance and compliance (HdofG&C) |
| Katrina Rigby | Governance officer (GO)/minute clerk |

| | AGENDA ITEM | ACTION |
|-----------|--|--------|
| 1. | Welcome to board members and observers | |
| 1.1 | The chair opened the virtual board meeting at 17.35 and welcomed members. | |
| 1.2 | The chair referred members to B5.20/21 which explained the reasoning for not splitting the agenda into non confidential and confidential items. | |
| 1.3 | The chair reconfirmed the new format for board meetings, currently being tested during the Covid-19 lockdown, with members voting on selected papers in advance of the meeting using the BoardPacks system. The chair highlighted the three key papers for discussion as B6 – Position statement on treasury approach, B7 – Stress testing, budget 2021 and business plan, and B8 – Corporate Plan 2020-2023. The chair went on to advise that concerns had been raised about the requirement to vote on certain agenda items, without first having a board discussion and, although all items had received the required number of votes for | |

approval, there would be an opportunity for members to provide comments and feedback on agenda items B5-11, B5-14 and B5-15.

**Gov
team**

- 1.4 There was a brief discussion on the new meeting format and approach to digital voting. One member advised they had experienced difficulty in adding comments and queries on BoardPacks and it was agreed that members would benefit from additional training and guidance on the software. The head of governance and compliance (HdofG&C) agreed that the governance team would send a reminder to all board members with instructions on adding comments and queries to BoardPacks and look at options for sharing board member comments prior to digital voting. The governance team would also arrange a refresher training session on the use of BoardPacks.

- 1.5 Before moving on, the chair invited the CEO to provide an update on board membership changes. The CEO informed the board that Amelia John had taken up a new role at Welsh Government, as deputy director of housing policy, holding responsibility for regulation, and had resigned from the board with immediate effect due to the conflict of interest that this presented. The chair and CEO had accepted the resignation and wished Amelia the very best in her new role and thanked her for her work on the board. The CEO conveyed Amelia's thanks to the board and staff for their support during her time as a board member.

2. B3.20/21 – Apologies for absence

- 2.1 None received

3. B4.20/21 - Declarations of interest

- 3.1 The CEO asked the board to note the three declarations of interest, none of which were disqualifying:

B5-11.20/21 – recruitment of new board members – update report - Chris Sutton, Janice Morgan, Kevin Ward.

B5-15.20/21 - Market site update – Kevin Ward

B5-17.20/21 – CHC Directors, officers & volunteers indemnity policy – all board members and staff.

Resolutions:

1. The board noted Chris Sutton, board co-optee, Janice Morgan and Kevin Ward, declared an interest in B5-11.20/21 – recruitment of new board members – update report.
2. The board noted Kevin Ward, had declared an interest in B5-15.20/21 – market site update.
3. The board noted that all staff and board members declared an interest in B5-17.20/21 – CHC Directors, officers & volunteers indemnity policy

4. B5.20/21 - Digital approvals

4.1 The chair confirmed that following members' noting of the digital approvals already recorded, discussions would take place which would be minuted in the order they were discussed (set out at para 4.2 onwards). The CEO confirmed the list of all reports that had been approved and the three papers, B5-11, B5-14 and B5-15, which would be discussed. The following confidential and non-confidential resolutions were digitally approved or noted through BoardPacks and met quorum requirements of five members voting/noting:

Digital resolutions:

1. **B5-2 The board approved applying the chair's electronic signature to the non-confidential minutes of the previous meeting - 24 March 2020 as a true and accurate record.**
2. **B5-3 The board noted the two completed non-confidential matters arising.**
3. **B5-4 The board approved applying the chair's electronic signature to the confidential minutes of the previous meeting on 24 March 2020, as a true and accurate record.**
4. **B5-5 The board noted the four completed and three ongoing confidential matters arising.**
5. **B5-6 The board ratified the confidential urgent written procedures**
 - **Enc 1 - B1.20/21 - Urgent Written Procedure – Approach to staff costs in relation to Covid-19.**
 - **Enc 2 - B2.20/21 - Urgent Written Procedure – coronavirus escalation triggers.**
6. **B5-7 The board noted the non-confidential minutes of the ARC held on 31 March 2020.**
7. **B5-8 The board noted the confidential minutes of the ARC held on 31 March 2020.**
8. **B5-9 The board noted the Chair/CEO overview.**

Governance

9. **B5-10 App 1 The board ratified the five chair's action numbers 1-5.**
10. **B5-10 App 2 The board noted the company seal had been used 21 times for numbers 131-141 for 2019/2020 and 1-10 for 2020/21.**
11. **B5-11 The board:**

- Approved the implementation of option 1, not to continue with the 2020 recruitment campaign.
 - Noted that the internal process could continue for Janice Morgan and Kevin Ward
 - Noted the two co-optees Chris Sutton and Amelia John could retain and extend their terms of office.
 - Noted the opportunity for the chair and CEO to seek appropriate co-optee skills in accountancy.
 - Noted the requirement to approve a new vice chair of the board from 23 September 2020.
 - Noted the identified risk of another member deciding to retire, which could be addressed through the appointment of a board member up until the next AGM.
 - Noted the next steps as set out at paragraph 5.2.
- 12.B5-12 The board noted the previously approved schedule 1 exemptions and chair's actions reported for the financial year ended 31 March 2019/20

Finance & Strategy

- 13.B5-13 The board approved:
- Appendix 1 – revised draft NCH financial regulations.
 - Appendix 2 – revised draft NCH scheme of delegations.
 - Appendix 3 – revised draft NCH standing orders.
- 14.B5-14 The board:
- Noted App 1.1 Integrated performance proforma
 - Noted App 1.2 Performance against KPI's for 2015-2020
 - Noted App 4 Major issues in the association's operating and risk environment, the major risks and related controls
 - Noted App 5 The Business Transformation Portfolio (BTP) update.
 - Approved Apps 2.1–2.10 Quarter four management accounts.
 - Approved App 2.11 Integrated treasury report.
 - Approved App 3 Development and regeneration management accounts.

Development

- 15.B5-15 The board approved the Development and Regeneration Governance Framework.

16.B5-16 The board commented on and noted the development & regeneration half yearly report.

Annual compliance

17.B5-17 The board noted:

- The content of the report and information provided at appendix 1.
- The actions required to inform the NCH company secretary in writing if they become aware of any such notice of intention, claim, circumstances or incident which may give rise to a claim.

18.B5-18 The board noted:

- There have been no known reported incidents in 2019/20 of modern slavery and human trafficking.
- App 1 Modern Slavery Statement 2020-21, which will be signed by the board chair and CEO and published on the association's website in accordance with the Act.

4.2 Following ratification of the digital approvals, the chair provided members with the opportunity to give comments and feedback on B5-11 - Recruitment of new board members.

4.3 The CEO provided context for the proposal to postpone the recruitment campaign at B5-11, stressing the importance of ensuring the fit of potential board members with the existing board, and the need for the chair to be able to build rapport with potential board members, and added that in the coming weeks there would be a recruitment process for executive roles where digital and virtual formats would be used that would test the effectiveness of the approach.

4.4 The CEO continued that non-executive roles had previously been recruited via written submission and formal interview which created an opportunity for candidates to demonstrate how they were suited to the role. The CEO continued that virtual recruitment formats for board may need a different process, possibly holding two to three short interviews followed by a further discussion, and this required additional time, commitment and careful planning.

4.5 Discussion was opened to members and the following key points were raised:

- a. The importance of open recruitment for demonstrating transparency and maintaining positive reputation.

- b. The potential benefits of using peer networks and open recruitment in parallel.
- c. Possible use of an executive search company to look for suitable candidates.
- d. The uncertainty of the current situation, with the Covid-19 pandemic, and the impact that this might have on candidates' ability to commit to board membership.
- e. The option to start the process earlier if restrictions were lifted.
- f. The proposal to set a cut-off point, when a recruitment campaign would be started whether virtually or in person.

- 4.6 The chair concluded the discussion by confirming that the report had already been approved by a majority vote on BoardPacks, but members' comments would be noted. The recruitment campaign would be postponed until late 2020 - early 2021 as this provided time for the association to establish a "new normal", identify any key skills gaps following the AGM in September 2020, and design an appropriate approach for board recruitment. **Gov team**
- 4.7 Members went on discuss B5-14 - Quarter 4 integrated reporting. The chair queried the large variance in re-let time for voids across the year, asking what was being done to address this. The executive director of operations (EDofOps) explained that the Christmas period 2019-20 had seen staff changes, staff sickness and contractor issues which had impacted upon the turnaround time for voids in quarter 4. Key interventions included increased planning for challenging periods and moving to area-based surveying. Overall, the average re-let time had reduced from 54 days in 2018-19 to 31 days in 2019-20, and the association would continue to look for performance improvements in the coming year.
- 4.8 A board member praised the progress on re-let times over the last year and asked how the association would ensure a more consistent performance in the coming year. The EDofOps responded that the association would be looking at improvements to reduce re-let times through ways of working which included sign up and handling of maintenance issues.
- 4.9 A member queried whether the association understood the average saving per day when re-let time for voids was reduced. The strategy and business information manager (S&BIM) responded that the average rental income loss was £11-12 per void, per day. The member requested a review of the cost per day, per void, to evaluate the level of resources that could be put in place to reduce the re-let time, whilst still ensuring cost effectiveness. **S&BIM & EDofOps**

- 4.10 The CEO referred members to the supporting performance indicators on voids, which provided a financial breakdown and allowed monitoring of routine voids loss over the year. The priority was finding the right methodology to turnaround voids in the most efficient way, and with the current Covid-19 restrictions, there could only be two operatives working at a void property at any one time, which impacted upon timelines.
- 4.11 The executive director of transformation (EDoT) added that a holistic piece of work would be undertaken as part of the business transformation portfolio (BTP), looking at current ways of working and how these could be improved to increase quality and reduce turnaround time on voids.
- 4.12 The chair raised the issue of universal credit (UC) and queried the level of rent arrears. The S&BIM confirmed that the current level of rent arrears was better than the sector average, despite the association housing more UC recipients than other housing associations (HAs) in England and Wales.
- 4.13 The chair queried the £300k income from land banking over the last year. The interim director of finance and resources (IDoF&R) and the executive director of development (EDoD) explained that the figure reflected movements both in and out of the land bank, with a number of schemes moving out for development, as well as residual value [REDACTED], and was not a constant fixed amount.
- Redacted
- 4.14 The CEO added the financial regulations would be adjusted to align with the new development and regeneration governance framework (B5-15), having received approval from board. IDoF&R
- 4.15 There was no further discussion of B5-15 - Development and regeneration governance framework, as member queries had been addressed prior to the meeting.
- 5. B6.20/21 – Position statement on Treasury approach**
- 5.1 The IDoF&R referred members to the position statement on treasury, which was originally planned as a treasury strategy management paper, but due to Covid-19, was being presented as an approach to outline the options available. [REDACTED]
- Redacted

5.2 A member suggested that the [REDACTED] product could offer a more flexible option for the future but agreed that given the current circumstances it was appropriate to take the approach outlined in the recommendations.

5.3 The IDoF&R confirmed that the preferred product was [REDACTED], which had flexibility and options to draw down smaller amounts of funding. [REDACTED]

5.4 Members noted and approved all recommendations as listed in B6.20/21.

Resolutions:

1. The board noted the treasury management strategy will be revised and presented to the November 2020 board.

[REDACTED]

5. The board noted that conversations would continue on extending the existing revolving credit facilities with existing providers to support future funding requirements.

6. The board approved the required change to the treasury management policy which reflected the recent change in roles of the interim leadership team structure of EDofF&R to IDofF&R.

7. The board approved that exploration work would continue with Centrus to identify the appropriate credit rated money market funds and deposit account options.

[REDACTED]

6. B7.20/21 – Stress testing, budget 2021 and business plan

- 6.1 The IDoF&R referred members to the stress testing report, budget 2021 and business plan. The budget and business plan were approved at March 2020 board and, due to current levels of uncertainty, there was a need to stress test these plans. The report looked at various scenarios and the impact these would have upon the budget, ranging from six to 12 months interruption, with the results shown at appendices 1-5.
- 6.2 The IDoF&R highlighted that maintenance costs had reduced during the period of Covid-19 restrictions, and there had been no substantial change in arrears, but there was an expected impact upon planned maintenance, which could take 18 months to two years to recover. The IDoF&R continued that the business plan was based upon an average of six months interruption, with longer recovery for maintenance, adding that discussions with John Hargreaves (risk consultant) and the financial regulator on risks, had confirmed that the association's approach was in line with other HAs.
- 6.3 The IDoF&R concluded, before taking questions, that a desktop exercise around the golden rules had resulted in the proposal to increase the EBITDA MRI to 200% and a view to increasing land banking to £15m to allow suitable opportunities arising as a result of Covid-19 to be taken.
- 6.4 A member queried whether to conduct a full suite of stress testing in September 2020, given the high workload this could create and a potential lack of added value. The IDoF&R proposed an alternative option of exploring the need for further stress testing when the Q2 management accounts were presented. **IDoF&R**
- 6.5 A member queried whether, during this time of uncertainty, it may be worth considering different approaches to forecasting, to keep the budget as live and valid as possible. The IDoF&R proposed looking into refreshing the budget with the quarter 1 accounts. **IDoF&R**
- 6.6 The CEO added that the association was currently in a strong position, not facing spikes in UC or arrears, and with no compliance issues. In the next quarter there could be challenges for planned maintenance if contractors determined to raise their costs. More data would need to be collated and monitored going forward. The CEO concluded that the triggers paper also allowed escalation to board where situations changed.
- 6.7 Members briefly discussed issues arising from the report, with the following key points raised:

- a. Whilst it made sense to update golden rules at this time, given the changing situation, there may be a need for further changes in the coming year.
- b. There needed to be consideration of the impact of any decrease in land values on the association's land banking.
- c. Whether the proposed £15m was enough.
- d. Recovery times should take into account the potential longer-term impacts of the Covid-19 lockdown, such as business closures, increased unemployment, and rising debt.
- e. An economic downturn over the coming year could mean that sites purchased in the next three-six months face a drop in value and any new development opportunities needed to be right for the association.
- f. The potential of cashflow crisis, rather than a capital crisis with potential impacts on the economy, wages and affordability.
- g. The impact of a potential land value tax.
- h. It may be worth considering working with other HAs in a merger or partnership if the opportunity arose.
- i. Consideration as to whether the association's development strategy remains relevant in the post Covid-19 world was needed.

6.8 In response to member's discussions, the EDofD confirmed that the exit strategy for potential losses in sale value or private rental income remained to convert units to social housing, with support from Welsh Government (WG) and Newport City Council (NCC), so that rental income could be guaranteed. In terms of a future development strategy, the association would continue to monitor market conditions and risks, whilst exercising caution.

6.9 Following discussion on land banking and opportunities that may arise and the impacts this may have on the existing Development Strategy, the EDofD confirmed that the proposed golden rule of £15m would be sufficient and opportunities would be appraised using a risk-based approach and taking into consideration market conditions.

6.10 Members noted and approved the recommendations in B7.20/21.

Resolutions:

1. **The board noted the reforecasting of the revenue budget and capital programme for 2020/21.**
2. **The board noted that the deep dive of rental income lower than planned provided assurance to board that adequate controls were in place.**
3. **The board noted the stress testing outcomes on the 30-year business plan, which was previously approved by board in March 2020.**

4. The board noted that an appropriate review of the golden rules had been conducted.
5. The board approved the amendment of the golden rules for an increase of the golden rule for EBITDA MRI to 200% from 130%.
6. The board approved the amendment of the golden rules for an increase of the golden rule for land banking to £15m from £10m.
7. **B8.20/21 – Corporate plan 2020-2023**
 - 7.1 The S&BIM referred members to the draft corporate plan 2020-2023 and the draft measures. The S&BIM continued that the corporate plan would deliver the first three years of the association's strategy, approved at board on 24 March 2020 and highlighted that development of the plan had been concluded during the lockdown period and took into account the current levels of uncertainty. The S&BIM concluded, before taking questions, that the plan would remain dynamic and would, subject to board approval, be a three-year rolling plan, and the association was confident that the principles of the strategy remained relevant.
 - 7.2 There were no questions regarding the draft corporate plan and discussions moved on to the draft measures. The S&BIM explained that the draft measures allowed the monitoring of progress against the 2025 strategy, with KPIs and strategic measures reported to board quarterly, including any items of significance.
 - 7.3 The S&BIM responded to a query on repair appointments being considered as a measure, confirming that repairs completed first time and percentage of appointments kept were in the measures. The S&BIM continued that not all management metrics were presented in the measures as some of these were overseen by the leadership team.
 - 7.4 Members discussed the draft measures and the following points were raised:
 - a. In terms of capital costs and maintenance costs per unit, there was a need to look at this over the longer term and in relation to stock condition.
 - b. In terms of development, it would be useful to look at development programmes in relation to performance measures and compare forecast performance with actual performance. This could help inform future decisions on development proposals.
 - c. The measures count success, but could also look at more subjective impact, for example, counting the number of webchats or time to answer a call is useful, but what about the customer perception of these improvements?

- d. When looking at the strategic objectives there were elements that could be difficult to measure, for example, if 'well designed homes' was an objective, there was a need to consider whether this was measurable, what measures could be used, and whether success could be evidenced.
- e. The plan and measures needed to be flexible to respond to learning from the transformation programme.
- f. Could liquidity metrics be included so that data could be grouped together in a thematic way? This might give a better sense of impact.
- g. The STAR survey continues to be used and customer satisfaction results are not improving. There may be other surveys that could give better returns.

7.5 In response to the discussion, the EDofD confirmed that current developments were being evaluated in terms of out-turn and net present value (NPV) returns, but in the longer term it would be important to look at more subjective measures, such as perception of environment. The CEO added that the ratio of percentage pipeline units converted to committed schemes is also presented to board. **EDofD**

7.6 The CEO confirmed that KPIs would continue to be captured quarterly through integrated reporting, but transformation, resident engagement and self-evaluation also needed to be included to provide a rounded perspective and enhance existing measures. **S&BIM**

7.7 The S&BIM confirmed that the self-evaluation aimed to address the measuring of wider and real impacts for residents. The S&BIM continued that some issues were more challenging to measure, such as anti-social behaviour, and these would continue to be reported to board with evidence of what work was being undertaken to address them.

7.8 The S&BIM also confirmed that measures would be put in place for the Business Transformation Portfolio (BTP). The EDofT added that cost, quality and satisfaction would be a focus of transformation and new measures may need to be created for this.

7.9 The S&BIM confirmed that the STAR survey would continue to be used but other methods were also being explored, including transactional surveys. A pilot survey on repairs had shown a higher response rate than STAR but would need to be evaluated over a longer time frame. Text messaging, to improve response rates, was also being explored, and these options would be reported to board when the pilots were complete. **S&BIM**



- 7.10 Following discussion, members approved the draft corporate plan and draft measures.

Resolution: The board approved the draft Corporate Plan 2020-23 and its draft measures.

8. B9.20/21 – Any other business

- 8.1 No other non confidential or confidential business was received.
- 8.2 Before closing the meeting, the chair asked members for feedback on the new virtual meeting format and suggestions for improvement.
- 8.3 A member noted that prior to Covid-19, pre-board workshops had proved very useful for looking at more complex areas such as the business plan and treasury reports.
- 8.4 A member had also experienced difficulties in viewing the finance sheet appendices remotely and asked that an alternative be considered to address this for future meetings.
- 8.5 The HdofG&C confirmed the team was already considering an approach to future virtual board meetings and supporting workshops and would work with the individual member to support them in addressing the issue being faced. **Gov team**
- 8.6 The chair thanked members and closed the meeting at 19:30