



Agenda Item No B43-3.20/21 Board Minutes

Virtual Board Meeting – Tuesday 17 November 2020 at 17:30

Present:

Members:

Nicola Somerville	Board chair
Christian Cadwallader	Board vice chair
Janice Morgan	Board member
Kevin Ward	Board member
James Tarrant	Board member
Guy Stenson	Board member
Robiu Salisu	Board co-optee
Mike Usher	Board co-optee

In Attendance:

Ceri Doyle	Chief executive (CEO)
Tim Jackson	Executive director of transformation (EDofT)
Matthew Davies	Executive director of development (EDofD)
Stephanie Bradley	Interim director of finance & resources (IDofF&R)
Sharon Wilkins	Deputy director of homes and communities (DDH&C)
Simon Andrews	Deputy director of property and place
Joanna Fairley	Head of governance and compliance (HdofG&C)
Chris John	Strategy & business intelligence manager (S&BIM)
Katrina Rigby	Governance officer (GO)/minute clerk

Observers:

Sonia Furzland	Incoming executive director of operations (EDofOps)
Gareth Yeoman-Evans	Incoming executive director of finance & resources (EDofF&R)

AGENDA ITEM

ACTION

1. Welcome to board members and observers

1.1 The chair opened the virtual board meeting at 17:30, welcomed members, and observers Gareth Yeoman-Evans, newly appointed executive director of finance and resources, and Sonia Furzland, newly appointed executive director of operations, both taking up their roles shortly.

1.2 The chair noted the key papers for discussion:

Key papers for discussion today:

- B33** Confidential Q2 integrated reporting
- B34** Treasury management policy and strategy
- B35** Development and regeneration approvals



B36 Draft social rent and service charge policy and affordability method
B37 Recruitment update and succession planning

2. B30.20/21 – Apologies for absence

2.1 Apologies were received from Chris Sutton.

3. B31.20/21 - Declarations of interest

3.1 The CEO asked members to note the three declarations of interest, with B32-8 & B36.20/21 being accepted as non-disqualifying:

B32-8.20/21 Governance effectiveness – all board members

B36.20/21 Draft social rent and service charge policy and affordability method – Janice Morgan

B37.20/21 Recruitment update and succession planning

- Mike Usher – recommendation to appoint as ARC member
- Robiu Salisu – recommendation to appoint as RC member
- Nicola Somerville – extension of board chair’s appointment until AGM 2022.

3.2 The CEO advised members that the chair would abstain from voting on **B37.20/21** and the vice chair would lead on this agenda item due to the conflict of interest.

Resolutions:

1. The board noted that all members had an interest in **B32-8.20/21 governance effectiveness**.

2. The board noted that Janice Morgan had an interest in **B36.20/21 draft social rent and service charge policy and affordability method**.

3. The board noted the following declarations for agenda item **B37.20/21 recruitment update and succession planning**:

- Mike Usher – recommendation to appoint as ARC member
- Robiu Salisu – recommendation to appoint as RC member
- Nicola Somerville – extension of board chair’s appointment until AGM 2022.

4. B32.20/21 - Digital approvals

4.1 The chair confirmed that, following members’ noting of the digital approvals, discussions could take place which would be minuted in the order they were discussed (set out at paragraph 4.2 onwards). The following resolutions were digitally approved or noted through BoardPacks and met quorum requirements of five members voting/noting:

Digital resolutions:

1. B32-2 The board approved applying the chair's electronic signature to the minutes of the previous meeting, 8 September 2020, as a true and accurate record, including an amendment to B27.20/21 development and regeneration resolutions adding specific delegation to the CEO and executive directors to sign and seal all associated documents.
2. B32-3 The board approved applying the chair's electronic signature to the minutes of the special board meeting, 13 October 2020, as a true and accurate record.
3. B32-4 The board noted the minutes of the ARC meeting held on 13 October 2020.
4. B32-5 The board noted the six completed and two ongoing matters arising.
5. B32-6 The board noted the Chair/CEO overview.
6. B32-7 Governance urgent and sealing:
 - The board ratified the one chair's action number 9.
 - The board noted the company seal has been used 15 times for numbers 42-47 & 49-57.
 - The board approved amendment of the Financial Regulations (FR), Scheme of Delegated Authority (SofDA) and Standing Orders (SO) in respect of variations to development and regeneration contracts.
 - The board approved applying the association's company seal to the lease of 96-98 Welland Crescent, Bettws to [REDACTED].
7. B32-8 Governance effectiveness:
 - The board approved the 3+2+2+4 board meeting approach for 2021/22 detailed at appendix 1.
 - The board approved the 2021/22 board meeting matrix detailed at appendix 2.
8. B32-9 The board approved the Health, Safety and Welfare Policy 2020.
9. B32-10 The board approved the Value for Money framework.
10. B32-11 Stress testing of budget and business plan
 - The board noted the results of the scenario testing set out in section 5.
 - The board noted the savings plan as set out in section 6.

- The board approved the savings plan that would be a starting point for more detailed recovery if the worst-case scenario were to emerge.

11. **B32-12** The board noted the development & regeneration half yearly report.

12. **B32-13** Renting Homes legislation

- The board noted the information contained within the paper.
- The board agreed that no immediate changes would be made to the creation of new ASTs or the service charges applied to them;

- The board agreed that oversight and management of the financial and reputational risks posed by implementation of the Renting Homes (Fees etc.) (Wales) 2019 be delegated to the audit and risk committee (ARC) and an update to the risk register be presented to the 15 December 2020 ARC meeting.

GO, S&BIM

4.2 The chair invited discussion of digital approvals and the following items were raised.

4.3 **B32-6 Chair/CEO overview**

The CEO thanked the chair of the remuneration committee (RC) and all committee members for enabling a special RC meeting to be held on 12 November 2020, to discuss and obtain advice and guidance on a confidential HR case, which had commercial and cultural impacts.

4.4 **B32-10 Value for money (VfM) framework**

The interim director of finance and resources (IDofF&R) advised that following discussions at the 13 November 2020 touchpoint meeting amendments would be made to the framework, including working with specific members on the development of further metrics and corporate performance indicators (PIs). The IDofF&R advised that proposals would be brought to the 30 March 2021 board and, following completion of internal service reviews, any further updates would be brought to the 21 July 2021 board.

IDofF&R

4.5 A member queried whether there were any staff retention issues at the association and how staff development might be factored into the VfM framework. The IDofF&R advised that while staff

retention was high, staffing factors would be included in the development of the metrics. The CEO added that staff turnover at the association was historically very low and this could present different issues in terms of staff development, which would be looked at as part of the recognition and reward work considered by the RC.

4.6 B32-11 Stress testing of budget and business plan

A member noted that some test scenarios breached the golden rules and queried whether there needed to be a proactive strengthening of the rules so that they could be more consistently adhered to rather than flexed. The IDofF&R confirmed that the EBITDA MRI rule had been raised from 130% to 200% in May 2020 to accommodate the Covid 19 situation and would be reviewed again in March 2021 to ensure there was no ambiguity and that mitigations were in place to keep within the business plan.

4.7 B32-12 Development & regeneration half yearly report

A member queried whether the development programme could be viewed from a financial perspective, looking at what was committed, uncommitted, land banking, cash flow etc and how it was being managed. The member continued that board needed good visibility on these factors, alongside approval requests, to ensure informed decision making.

4.8 The executive director of development (EDofD) advised that the new Sequel system would allow reporting on these factors and this should be fully operational by the 23 February 2021 board. **EDofD**

4.9 The chair highlighted that recent feedback on social media regarding the association's new developments had been overwhelmingly positive and asked the EDofD to extend thanks to the development and regeneration teams for their hard work during what had been a difficult year.

4.10 B32-13 Renting Homes legislation

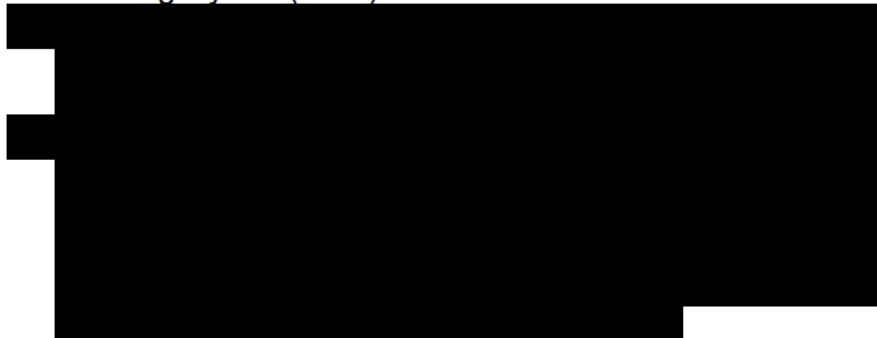
The CEO advised members that the change in renting homes legislation and the impact upon the association was a notifiable event with significant risks, and a formal written submission should be made to the Welsh Government (WG) housing regulator.

[REDACTED] Whilst discussions were ongoing between Community Housing Cymru and the Welsh Government, and pending further consideration by the Audit and Risk Committee in December on the analysis of the

risk to the association, the CEO suggested that NCH should continue to include service charges and issue assured shorthold tenancies (ASTs) where these were determined as the most appropriate actions.

4.11 Members discussed the issues presented by the change in legislation and the following points were made:

1. The CEO's recommendation on notifying the housing regulator was acknowledged and fully supported.
2. It could be beneficial to develop an action plan to help manage the impacts of the changes.
3. A challenge to the position the Welsh Government have created should continue to be pursued through Community Housing Cymru (CHC).



6. The risk presented by the change was addressed under the existing risk register item 'rental income lower than planned' and, although unlikely to change the risk score, would need to be reviewed.
7. Wider impacts around resident engagement and reputation would also need to be considered.

4.12 Following discussions, it was agreed that:

1. Formal notification would be issued to the regulator.
2. The DDofH&C would provide a report to 15 December ARC including recommendations, mitigations and action plan to address both financial and wider impacts.
3. The risk register would be reviewed following 15 December ARC.

CEO/HdofG&C
DDofH&C

S&BIM

4.13 **B32-1** Board member Q&As – The chair advised members that questions, and responses, had been uploaded to BoardPacks for information.

5. **B33.20/21 – Confidential – Q2 Integrated reporting**

5.1 The strategy and business intelligence manager (S&BIM) referred members to the integrated report for quarter two and highlighted that



despite the pandemic, performance had remained consistent and rent arrears were low compared to peers. The S&BIM continued that the resident satisfaction survey had been reintroduced which would provide additional analysis on drivers behind satisfaction and non-satisfaction, and there had also been strong results on the repairs transactional survey. Before taking questions the S&BIM highlighted that financial performance was currently at an operating margin of 23%, which was the highest ever for the association.

- 5.2 A member queried the decrease in call rates since March and possible causes. The S&BIM advised that call rates had fallen during the first lockdown in March 2020, possibly due to resident concerns about operatives visiting homes, and although demand was now increasing it remained below pre-pandemic levels. In response to a further question on vulnerable residents, the S&BIM confirmed that welfare calls had allowed the association to contact residents and identify those who needed additional support.
- 5.3 The CEO advised that a triage system had been put in place during the first lockdown in March, with NCH colleagues providing telephone guidance on minor maintenance tasks that residents could carry out safely themselves, and this may have reduced ongoing demand for these types of repairs.
- 5.4 The deputy director of property and place (DDofP&P) added that a backlog of around [REDACTED] in repairs had been generated since March, due to Covid 19 related restrictions, which was now being addressed alongside additional communications and managing resident's needs with a more preventative approach rather than reactive.
- 5.5 The following clarifications were given in response to member questions on the integrated report:
1. The association's vehicle fleet, currently on a two-year lease, would continue to be reviewed with a view to moving to more energy efficient and electric vehicles when the infrastructure allowed.
 2. Welfare calls had identified unmet support needs, and support offers such as financial and welfare advice had doubled as a result
 3. Voids and lettings performance dipped during quarter one and two, due to restrictions and Covid-safe working practices, and this was expected to continue into quarter three
 4. Development KPI for units in the pipeline, p.148, would be checked for possible error. [REDACTED]

- [REDACTED]
5. The association was procuring specialist support to conduct a baseline carbon assessment, which would inform a report and recommendations to a board meeting in 2021. **S&BIM**
6. In terms of treasury and security cover, the majority of stock was secured against [REDACTED] due to age and condition of properties, but as new stock came online, more would be transferred to Market Value subject to tenancies (MV-T).

[REDACTED] **IDofF&R**

- 5.6 Following discussions, members approved and noted all recommendations in the quarterly reports.

Resolutions:

1. The board reviewed and noted performance for quarter two at appendix 1.1.
2. The board approved quarter two management accounts at appendix 2.
3. The board approved the confidential integrated treasury report at appendix 2.11.
4. The board approved the development and regeneration management accounts at appendix 3.
5. The board noted the update on the operating and risk environment and the risk register at appendix 4.

6. B34.20/21 – Treasury management policy and strategy

- 6.1 The IDofF&R referred members to the policy and strategy noting that this was the culmination of discussions and agreements from the last four board meetings, including the move to the bLEND product. The IDofF&R continued that the policy remained fit for purpose, with a few minor amendments to reflect new banking regimes, and would be brought back to board in March 2022. Before taking questions, the IDofF&R advised that the treasury strategy set out the position over the next 12 months, noting that NCH had plans to raise more funds in 2023. **IDofF&R**
- 6.2 A member asked for clarification on the timescales for conversations with lenders regarding SONIA and LIBOR, and whether the reference to 2021 was the calendar or financial year. The IDofF&R confirmed that this was calendar year, with [REDACTED] ready to start discussion in March 2021 and [REDACTED] shortly after.



- 6.3 A member further queried whether the association needed to look at opportunities for additional capital between now and 2023 due to the low cost of funds currently available. The IDofF&R advised that [REDACTED] provided the opportunity to tap the bond more regularly, subject to finalising the business plan and exploring pricing with [REDACTED] but this may need to be deferred due to current volatility in the market.
- 6.4 The incoming executive director of finance and resources (EDofF&R) confirmed he would like to explore the board appetite for treasury and risk, with a view to revising the treasury strategy in the future. The chair and vice chair agreed that it may be timely to review the golden rules and the IDofF&R confirmed this would be a topic for discussion at the business plan and budget workshop in February 2021.
- 6.5 Members approved the recommendations in the treasury management policy and strategy report.

Resolutions:

1. **The board approved the policy at appendix 1, which showed changes in “tracked changes” format.**
 2. **The board approved the strategy at appendix 2, noting the contents of the report and in particular the summary of the current position in paragraph 5, and approved the proposed actions in paragraphs 5.1 to 5.2**
 3. **The board noted that a revised strategy, if required, would be presented for board approval in 2021.**
 4. **The board noted that the policy would next be presented for review and approval in spring 2022.**
- 7. B35.20/21 – Development and regeneration governance – approvals**
- 7.1 The EDofD referred members to the report which covered two development opportunities, Bettws free church which could be acquired from [REDACTED], and the Lawrence Hill site off Chepstow Road, which could be acquired for [REDACTED] as land banking.
- 7.2 A member noted that the Lawrence Hill development proposal included four-bedroom properties and queried whether this would generate the required level of income. The EDofD advised there was evidence of demand for that type of accommodation, that the site was in a popular area of Newport, and there would be opportunities to explore other proposals when the association was ready to develop the site. The EDofD further confirmed that subject to the tenure mix on the site, some of the properties developed on the site would need to be affordable under the rent to own /shared ownership scheme.



- 7.3 A member queried whether Bettws free church was being acquired as a traditional church building for redevelopment. The EDofD clarified that the building was a disused church of modern construction, which, combined with the neighbouring vicarage owned by the association, would help achieve regeneration aims in that area. When queried as to whether the demolition of the church would attract negative publicity, the EDofD outlined there was currently a programme supporting registered social landlords (RSLs) working with churches to release redundant and empty properties for redevelopment as affordable housing, and this was a recognised approach.
- 7.4 A member queried whether there had been conversations regarding planning permission for conversion of the church to residential use. The EDofD confirmed that the property would not be suitable for conversion and the intention was to demolish the site, including the neighbouring vicarage, and redevelop as part of the local regeneration scheme. The EDofD continued that as the site was in a residential area it was likely to gain planning consent.
- 7.5 The EDofD continued that the Lawrence Hill site, having previously been approved for a higher density of units than proposed by the association, was also likely to gain planning consent, and was being explored as a low carbon development. In response to an additional member question the EDofD confirmed that purchase of the site was subject to planning permission being obtained.
- 7.6 Members approved the purchase of Bettws Free Church and the Lawrence Hill site.

Resolutions:

1. **The board approved the purchase of the former Bettws Free Church from [REDACTED] [REDACTED] for the agreed purchase price of [REDACTED]**
 2. **The board approved the purchase of the Lawrence Hill site for [REDACTED] inclusive of VAT, subject to planning permission being obtained, and delegated authority to sign, or sign and seal, all documents associated with the transaction.**
- 8. B36.20/21 – Draft social rent and service charge policy and affordability method**
- 8.1 The DDofH&C referred members to the draft policy which captured discussions from the October rent workshop. The DDofH&C drew attention to the rewording of one principle that had been agreed at the workshop, regarding welfare reforms and the benefit cap, and advised that this had been adjusted following analysis of resident data and the finding that those affected by reforms would be better assisted through



the association's hardship fund, where support is not available through the Local Authority (LA) administered Discretionary Housing Payments (DHP).

- 8.2 A member queried the handling of the service charge in the affordability calculation, and whether this reflected what had been agreed at the rent workshop in October. The DDofH&C clarified that members had supported the inclusion of both rent and service charges in the new affordability assessment and the adoption of the Joseph Rowntree Foundation (JRF) method as the core method of assessing affordability. The JRF method sets affordability levels of 28% of income for rent or 33% of income for rent plus service charges combined, therefore allowing the association to freeze or reduce rent where the combined costs were over 33%, and this had been noted by members at the workshop. The wording of the questions and the voting responses by board members at the workshop was reflected in section 3.2 of the report.
- 8.3 A member asked whether there were qualifying criteria for the hardship fund. The DDofH&C confirmed there were eligibility criteria, with the aim of helping residents for a short period of time eg when moving to universal credit (UC), and this allowed the association to look at the causes of hardship and the best way to help.
- 8.4 The incoming executive director of operations noted that discretionary DHPs were usually given for a specific period and queried whether this gave enough flexibility for the association to pick up residents who finished receiving DHP and then needed to access the hardship fund. The DDofH&C confirmed that where there were gaps between DHP and other welfare support, there was a mechanism in the hardship fund to support residents.
- 8.5 There followed a further discussion on the JRF affordability levels recommended in the report and whether these reflected board discussions at the October rent workshop. The DDofH&C referred members to section 3 of the report and the JRF model of affordability, where rent of more than 28% of income would be considered unaffordable, rising to 33% of income for rent and service charge combined. The DDofH&C went on to confirm that the affordability assessment would look at all of a resident's income and payments, and if, after applying the relevant percentage levels the rent was considered unaffordable, the association would look at any possible options to reduce this.



- 8.6 A number of members further noted that the 33% figure presented the most inclusive approach and protected most residents by covering those that paid services charges as well as those that did not.
- 8.7 Following discussions, the chair requested a briefing note to be circulated to all members with clarification of the affordability levels and how it might impact residents that paid service charges. The DDofH&C agreed to provide this following a conversation with the member who raised the original query, with the governance team circulating to members. The DDofH&C also reminded members that a rent workshop was scheduled for January 2021 to review the rent and affordability model ahead of February 2021 board, and provide the opportunity for board to consider detailed financial modelling of the options to improve affordability of rent. **DDofH&C, Gov team**
- 8.8 Before the discussion was concluded a member requested that a plain English version of the policy be considered for residents. The DDofH&C advised this action was reflected within the board report and work on producing this had already commenced. **DDofH&C**
- 8.9 Members approved the recommendations in the reports with final rent uplift proposals to be approved at 23 February 2021 board.

Resolutions:

1. **The board considered and approved the following revised principle relating to residents subject to the benefit cap – ‘Residents who are experiencing financial hardship, including residents who are subject to the benefit cap or other welfare reforms, may be supported to pay their rent and sustain their tenancy by assistance from the association’s Hardship Fund’.**
 2. **The board considered and approved the new draft social rent setting policy, including the method of assessing affordability of rent that would underpin the decision-making process for the proposed rent uplift for 2021–2022, to be approved at the 23 February 2021 board meeting.**
 3. **The board agreed for a ‘plain English’ version of the policy to be developed for communication with residents and external partners.**
- 9. B37.20/21 - Recruitment update and succession planning**
- 9.1 The vice chair noted the conflicts of interest for this item and asked members to confirm if they were happy for those with declared interests to remain in the meeting during discussions. Members agreed and all parties remained in the meeting.



- 9.2 The HdofG&C referred members to the reports, noting the proposals for committee membership, the recommendation to extend the chair's appointment for one year to September 2022, and the request to suspend board member recruitment to May 2021.
- 9.3 There were no questions and the board approved all recommendations.
- 9.4 The CEO noted that while the recruitment process would now be suspended until the spring 2021, the chair would be happy to take candidate recommendations at any time if these addressed gaps in the skills matrix. A member queried and the CEO confirmed that recommendations for candidates from outside the housing sector were welcome.

Resolution:

1. **The board approved Mike Usher taking up the position of ARC member with immediate effect.**
2. **The board approved Robiu Salisu taking up the position of RC member with immediate effect.**
3. **The board noted the succession plan at appendix 1.**
4. **The board approved extending Nicola Somerville's position as board chair for a further year until September 2022.**
5. **The board approved the suspension of the 2020 external board member recruitment campaign and for this to recommence in May 2021.**

10. **B38.20/21 – Any other business**

- 10.1 A member thanked the EDofD and the development team for sharing a video of completed properties earlier that day and noted that it was beneficial for members to receive these.
- 10.2 The CEO informed members that the governance team was putting together induction plans for new members and once confirmed, invitations would be sent out with all members welcome to attend. **Gov team**
- 10.3 A member requested and the HdofG&C confirmed that the meetings matrix 2021-22 would be sent out to all members the next day. **Gov team**
- 10.4 There being no other business the chair closed the meeting at 19:32

Date of next meeting 23 February 2021