

Agenda Item No Bxx.22/23

Board Minutes

Virtual Board Meeting – Wednesday 9 March 2022 17:30

Present:

Members:

Nicola Somerville	Board chair
Christian Cadwallader	Board vice chair
Guy Stenson	Board member
James Tarrant	Board member
Kevin Ward	Board member
Chris Sutton	Board member
Mike Usher	Board member
Robiu Salisu	Board co-optee
Anne Wildeman	Board co-optee
Samantha Williams	Board co-optee

In Attendance:

Ceri Doyle	Chief executive officer (CEO)
Matthew Davies	Executive director of development (EDofD)
Sonia Furzland	Executive director of operations (EDofOps)
Gareth Yeoman-Evans	Executive director of finance & resources (EDofF&R)
Sharon Wilkins	Deputy director of homes and communities (DDH&C)
Julie Summerhayes	Deputy director of people (DDofP)
Sophie Taylor	Deputy director of finance and procurement (DDofF&P)
Joanna Fairley	Deputy director of governance & company secretary (DDofG&CS)
Chris John	Strategy and business intelligence manager (S&BIM)
Katrina Rigby	Governance officer (GO)/minute clerk

Observers:

Carolyn Prothero	Head of housing management (HdofHM)
Hayley Phillips	Data business partner (DBP)

AGENDA ITEM

ACTION

- 1. Welcome to board members and observers**
 - 1.1 The chair opened the virtual board meeting at 17:30, welcomed members, Sophie Taylor, new deputy director of finance and procurement (DDofF&P), and Carolyn Prothero and Hayley Phillips observing.
 - 1.2 The chair noted that the key papers for discussion were:
 - B35 – Q3 integrated report
 - B37 – Annual strategic risk register review

2. **B28.21/22 – Apologies for absence**
 - 2.1 Apologies were received from Stephanie Bradley, Director of Corporate Services (DofCS).

3. **B29.21/22 - Declarations of interest**
 - 3.1 Members noted the six declarations of interest as set out in the resolutions below.

Resolutions:

1. The board noted that all colleagues had an interest in B30-4 Minutes of the Remuneration Committee (RC) held on 25 January 2022.
2. The board noted that the CEO & executive team had an interest in B30-5 In-camera minutes of the RC held on 25 January 2022.
3. The board noted that all board members had an interest in B30-7 – Governance – use of seal.
4. The board noted that the board chair and vice chair, chair and vice chairs of committees, CEO and leadership team had an interest in B30-8 Governance reporting – delegated authority.
5. The board noted that all colleagues had an interest in B30-10 Gender pay gap report 2021-22.
6. The board noted that all colleagues had an interest in B38 Annual pay award and recommendation from RC.

4. **B30.21/22 - Digital approvals**

- 4.1 The chair confirmed that following 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:

- 4.2 **B30-1 Board member Q&As**

The chair advised members that no formal questions had been received.

- 4.3 **Digital resolutions:**

1. **B30-2** The board approved applying the chair’s electronic signature to the minutes of the previous meeting, 24 November 2021, as a true and accurate record.
2. **B30-3** The board noted the minutes of the ARC meeting held on 15 December 2021.
3. **B30-4** The board noted the minutes of the RC meeting held on 25 January 2022.
4. **B30-5** The board noted the in-camera minutes of the RC meeting held on 25 January 2022.
5. **B30-6** Matters arising:

The board noted the 12 completed and one ongoing matters arising.

6. **B30-7 Governance reporting:**
 1. The board noted three chair's actions.
 2. The board noted the company seal had been used 36 times for numbers 79-114 since the 24 November 2021 board.
7. **B30-8 Annual governance reporting:**
 1. The board noted the previously approved schedule 1 exemptions and chair's actions reported for the financial year ended 31 March 2022, detailed at appendix 1.
 2. The board approved delegating authority to the DDofG&CS to add any further additions to the schedule 1 exemptions between the dates of 2-31 March 2022 inclusive, noting any additions would be reported at the next board meeting.
 3. The board approved the Lender & WG specimen signature proforma.
 4. The board approved the proposed delegations for the board chair and vice chair, chair and vice chairs of the committees at appendix 3.1.
 5. The board approved delegating authority to the CEO and company secretary for a further year, to ensure the position of chair was filled appropriately should the delegations set out at in appendix 3.1 be exhausted.
 6. The board noted the deputies put in place to address the potential absence of a member of the executive team, set out at appendix 3.2.
 7. The board noted no change to the company secretary and second named deputy company secretaries.
 8. The board noted no change to the signing and sealing process for 2022/2023.
 9. The board noted no new recommendations for the Power of Attorney.
8. **B30-9 Board chair and member recruitment update:**

The board noted the chair and member recruitment update.
9. **B30-10 Gender pay gap report:**
 1. The board noted the gender pay gap data analysis presented in the report which would be submitted to the gov.uk website.

2. The board noted the chief executive's statement which would be published to support the data presented.

10. **B30-11 Q3 DRGF report:**

1. The board approved [REDACTED] due to the scheme not progressing.
2. The board noted the update in respect of the approved development programme and the wider operating environment.

11. **B30-12 The board noted the Chair/CEO overview.**

4.4 A member noted that due diligence activity had identified issues [REDACTED] and asked for clarification. The executive director of development (EDofD) confirmed that further compartmentation and fire stopping guarantees had been required and, rather than undertake remedial work, the decision had been taken to not progress with the development.

4.5 The member asked if there were specific development targets per ward and the EDofD advised that the local authority (LA) identified housing need in each area and whilst looking for opportunities, issues around land value and competition for sites made it difficult for the association to set targets for some areas.

5. **B31.21/22 – Budget 2022-23**

5.1 The executive director of finance and resources (EDofF&R) referred members to the report, which outlined the key assumptions and financial outputs, as discussed at the recent board workshop. The EDofF&R drew members' attention to the key risks for delivering the budget over the next 12 months, including those emerging from the Ukraine conflict, potential overspends in asset management and repairs, and costs of delays to development schemes, which would be monitored under the risk management framework.

5.2 A member asked whether there was an opportunity to promote the benefits of the Duffryn heating system, for reducing customers' fuel costs, and also if the commercial data in the programme dashboard included 'social commercial', and why there was a downward trend in service charge income. The CEO responded that the Duffryn system was currently being reviewed and there may be opportunities to promote the service once this was completed. The CEO continued that social commercial activity was underway in a number of units, including

favourable rates for charities and supporting a place-based approach in the city centre.

- 5.3 The executive director of operations (EDofOps) responded to the service charge income query, advising that the association had been under recovering some charges and the new directorate structure included specific roles to address this issue, while taking into account value for money and the affordable rent policy. The deputy director of homes and communities (DDofH&C) added that some income had not been recovered as forecasted where profiled work was still to be completed.
- 5.4 A member noted that the risk environment was changing rapidly and asked if this needed to be reflected in budget discussions. The EDofF&R assured members that the treasury policy and golden rules were key to managing any emerging financial risks and allowed the association to put mitigations in place as necessary.
- 5.5 A member queried the staffing budget forecast, with an increase of [REDACTED] in the next financial year. The EDofF&R responded that the forecast took account of the increased social care levy, the proposed pay award and planned DLO growth, as well as aligning team budgets with the corporate plan, and that vacancy contingency budgets had been reduced where possible.
- 5.6 The EDofF&R informed members that a [REDACTED] had been submitted to Welsh Government (WG) for building safety, which had passed the internal process and was awaiting final sign off later that week. The EDofF&R continued that, if successful, board approval would be sought via chair's action or written procedure, with a deadline for return of the signed contract by end of March 2022. The CEO and members acknowledged the hard work of the operations team in putting the bid together in a short time frame and during a directorate restructure.

Resolution: The board approved the revenue budget and capital budgets for 2022-23.

6. B32.21/22 – Business plan 2022-52

- 6.1 The EDofF&R referred members to the report, which followed from the board workshop and focused on the economic assumptions, and the differential between CPI and costs/income. The EDofF&R highlighted that the plan was based upon CPI at 6.5%, difference between income and costs at 2.5%, and rent inflation capped at 4%. The EDofF&R advised that sensitivities had been run through the plan and the two

with potential to breach the EBITDA golden rules were increase in bad debt and increases in costs.

- 6.2 The EDofF&R continued that the biggest potential threat remained the removal of the WG dowry, which would break the golden rules and covenant, with the probability of this happening being low given the long-term agreement with WG and two-year rolling confirmation of funding, which gave sufficient time to put mitigations in place if needed. The EDofF&R concluded that due to emerging risks around costs and economic uncertainty, the finance team would be regularly reviewing the business plan, with further opportunities for board input including the asset management strategy review in September, review of the base plan and the multi-variant stress testing scenarios and mitigation plans in November.
- 6.3 A member queried whether, given the rapidly changing political and economic environment, the assumptions and differentials should be reviewed by board earlier. The EDofF&R responded that the plan was based upon what was currently known, with sound economic assumptions, and while WG could change its rent policy, this had been looked at in the test scenarios, with a top rate of ■ and mitigations to manage this. The EDofF&R assured members that monthly monitoring of the financial position would continue with escalation to board if needed.
- 6.4 The member commented that, in terms of business plan impacts, there was likely to be an energy cap increase in October, along with spending on defence, universal credit needed strengthening, price of commodities and fuel would increase, and while the UK was slightly insulated in comparison to EU nations, the board needed to be mindful of this in its financial planning.
- 6.5 A member added that the UK Chancellor's spring statement was due in two weeks, which would allow the association to relook at inflation, any consequences for WG funding, and the potential impacts on its financial assumptions.

Resolution: The board approved the 2022/52 business plan which would be filed with the WG and the association's lenders.

7. B33.21/22 – Treasury management strategy and policy

- 7.1 The EDofF&R referred members to the strategy which outlined the four key objectives and expected outcomes for the next three years, with most activity in the first 12 months, and progress to be reported in the quarterly integrated report. The EDofF&R continued that the policy

followed CIPFA best practice, with third line defence from Centrus, and two key changes had been made to manage risks: reducing liquidity from, [REDACTED] fully funded to [REDACTED] net commitment to improve value for money and react to investments when needed; and, [REDACTED] [REDACTED] to allow greater flexibility and security of investments.

7.2 The chair noted the golden rules and treasury management strategy capped [REDACTED], asking if this was too low given the opportunities for low or interest free WG loans to acquire sites. The EDofF&R responded that a bid had been submitted to WG for an interest free loan to help with longer term treasury, and that [REDACTED] [REDACTED] had been reviewed and was considered sufficient at this time, equating to a two-year pipeline of land for development.

7.3 The chair asked what the current level of commercial activity was, including any projected increases in the city centre, Ringland or Bettws. The EDofF&R responded that officers were currently conducting a review of the association's commercial activity, including clear definitions of what constitutes 'commercial'. This would allow a further review of the golden rule in order that risk thresholds could be agreed and applied to that activity. Any further changes in the golden rule would be brought back to board for approval. **EDofF&R**

7.4 A member asked if this would be a good time to renegotiate terms with [REDACTED] were unencumbered and asking what this meant in monetary terms, and what was the monetary impact of moving from [REDACTED]. The EDofF&R responded that any renegotiations would be dependent upon size and length of loan facility needed, consideration of decarbonisation and/or creation of subsidiaries. The existing terms had been reviewed with [REDACTED] there were no immediate concerns, and the covenants would be reviewed to provide as much borrowing capacity as possible. The EDofF&R added that the timing of renegotiations will be considered as part of the treasury strategy implementation plan.

7.5 The member suggested that this would need to be looked at in the context of the global environment and possible credit markets drying up, and the EDofF&R assured members that with [REDACTED] [REDACTED] as set out in the business plan, there was no reason to make any immediate changes.

7.6 The EDofF&R continued that the [REDACTED] [REDACTED]

[REDACTED] In terms of [REDACTED]
liquidity being sufficient, the EDofF&R confirmed that was based upon
the current business plan, with an excess of [REDACTED] in cash/loan
facilities.

- 7.7 A member queried the frequency of reporting outlined in the policy, **EDofF&R**
asking for more specific terminology than 'regular'. The EDofF&R
responded that section 6 of the policy outlined the frequency of
reporting, such as the quarterly treasury report to board, and noted that
more detail could be added into the policy wording to reflect this.

**Resolution: The board approved the treasury management strategy and treasury
management policy.**

8. B34.21/22 – Golden rules

- 8.1 The EDofF&R referred members to the golden rules, which had
previously been discussed at board and at the December board
strategic planning day (BSPD). The EDofF&R continued that, following
review, the report set out the justifications for the removal of five,
amendment of three, and the retention of three 'as is'.
- 8.2 A member queried whether the proposals would redefine individual
activities within the commercial portfolio. The EDofF&R responded that
there were a number of elements, which included charity law,
corporation tax, risk management, accounting standards and reporting,
and there was a need for clarity on what was meant by 'commercial' in
order to look at individual activities and discuss diversification. The
EDofF&R concluded that there was a difference between commercial
for profit and commercial for social purpose, adding that any housing
association (HA) with more than 25% commercial activity would require
close regulatory focus.
- 8.3 A member noted the removal of three rules and asked how the
regulatory standards and credit rating would be captured and
monitored going forward. The EDofF&R responded that the existing
credit rating was a private rating [REDACTED]
[REDACTED], and over the next six months would be used to understand the
strength of the rating, how investment decisions improved or reduced
the credit position, and how investors viewed the association, with the
quarterly treasury report to board for ongoing scrutiny.
- 8.4 The EDofF&R continued that the regulatory grade was an external
assessment, and it was appropriate to look at that within the
governance, risk management and regulatory frameworks, rather than

as a golden rule. The EDofF&R confirmed that members would continue to scrutinise this element through its annual governance effectiveness process and compliance review of the regulatory standards.

Resolution: The board approved the refreshed golden rules which would be effective from the financial year starting 1 April 2022.

9. B35.21/22 – Q3 integrated report

9.1 The strategy and business intelligence manager (S&BIM) drew attention to the update on the operating environment, which focused on the potential impact upon customers as well as broader issues identified in the risk register review and Ukraine update later in the agenda.

9.2 A member confirmed it was a helpful paper and queried whether the target to deliver 250+ new homes per year was achievable given that delivery for the current year was zero, due to Covid disruptions and supply chain issues, and asked about the level of confidence in the 10-year projections and whether mitigations would be needed to help meet the target during the next two years of economic recovery.

9.3 The EDofD responded that, in addition to challenges around labour supply, materials and Covid impacts, there were timing issues for some of the larger developments, such as Olympia House, due to be resolved in the coming months. The EDofD continued that planned contracts would realise over 500 new homes in the next 12 months, with new mechanisms being put in place to keep programme delivery on track, such as project bank accounts which ensured payments went to suppliers and sub-contractors on time.

9.4 The member responded that progress needed to be reviewed regularly over the next 12-18 months, at least on an exception basis, to monitor the 250 homes per year ambition. The EDofD agreed that reporting to board on an exception basis would be appropriate, adding that costings for new development schemes would reflect the increased price of materials and help to resolve some of the previous contract budget issues. **EDofD**

9.5 The chair suggested that it would be useful to capture more detailed customer feedback on the increased satisfaction with the repairs service evidenced in transactional surveys, noted the slight increase in rent arrears, and asked for the status on voids turnaround time. The S&BIM confirmed that voids turnaround was █ days for quarter 3, and the EDofOps added that this reflected both the high number of voids,

and the increased turnaround time for long term voids that needed more significant renovation.

- 9.6 The EDofOps continued that resources were limited, with contractors being moved from damp and mould work to voids work, with knock on impacts, it was anticipated that figures would level out by July. The EDofOps added that the quality of voids being received from customers was decreasing which was reflected in the £4-6k increase in void costs.



- 9.7 The DDofH&C reminded members that voids was the subject of a deep dive report taken to ARC in December 2021, and it had been anticipated that clearing the current backlog would result in a short-term increase in turnaround time. The DDofH&C continued that the new neighbourhood approach aimed to identify support needs at the start of tenancies, with a focus on sustainability, and would include tenancy wellbeing checks to ensure that any maintenance issues were addressed during the life of the tenancy, instead of the end of tenancy.

- 9.8 A member asked if the association had looked at salary sacrifice or apprenticeship levies to help with increased national insurance payments. The EDofF&R responded that this could be looked at, however there were different considerations for the LGPS scheme, and the apprenticeship levy was subject to different rules in Wales, with limited flexibility for use of funds.

- 9.9 The S&BIM noted that, in terms of increased rent arrears, these were typically seasonal and had shown a slight reduction at the end of the calendar year, however, work continued to maximise the income gains for customers, while being mindful of the cost-of-living crisis and potential impacts in the coming year. The DDofH&C responded to a further question, confirming that discretionary housing payments were made direct to the association, with the local authority (LA) managing the budget throughout the year to avoid overspends, adding that this budget was being cut nationally for the coming year which may have impacts for customers.

Resolutions:

1. **The board reviewed and noted performance for quarter three at appendix 1**
2. **The board approved quarter three management accounts at appendix 2**
3. **The board approved the quarterly treasury report at appendix 3**

4. The board noted the update on the operating and risk environment and the risk register at appendix 4

Guy Stenson left the meeting.

10. B36.21/22 – Corporate plan

10.1 The S&BIM referred members to the report which presented the next three-year rolling plan, with the course determined by changes in the operating environment and any actions needed to remain on track. The S&BIM continued that consultation had taken place across the association, including the recent board workshop, and the plan aimed to provide clarity on what was important to customers and colleagues. The S&BIM referred members to the full plan at appendix 2 which provided the actions in place to deliver against NCH Strategy 2025, enabling colleagues to see how their work aligned with the overarching plan.

10.2 Members agreed on the usefulness and clarity of the summary plan and a question was raised about the decarbonisation objective, to develop a road map to incorporate decarbonisation as part of the development strategy, asking if this was sufficient to address the issue. The EDofF&R responded that further detail was available in the full plan, with development of the road map over 12 months, delivery in years four and five, and the mid-term review, which would provide greater clarity on the board ambition and link into the asset management strategy, to be considered at the forthcoming BSPD.

**DDof
G&CS**

Resolutions:

- 1. The board approved the corporate plan: key focus 2022/25 at appendix 1**
- 2. The board noted the corporate plan: full activity 2022-25 at appendix 2**
- 3. The board noted the key performance indicators and additional information at appendix 3**

11. B37.21/22 – Annual strategic risk register review

11.1 The chair drew attention to the briefing note on the situation in Ukraine, at appendix 1.1, and asked members to remain focused on the specific impacts for the association, while being mindful that this may be an emotive issue. The CEO added that with the strategic planning framework and risk assurance framework in place, members needed to consider whether this allowed the association to adequately monitor and respond to the emerging situation.

11.2 The S&BIM referred members to the report which covered the key elements of the risk management framework, including annual review by board, scrutiny by ARC through a quarterly review of the risk

environment, and the schedule of in-depth reviews, integrated reporting to board, annual risk appetite exercise, and consideration at BSPD. The S&BIM continued that the report identified the biggest impact areas, including supply chain, inflationary pressures, increasing costs, cost of living crisis, and potential impacts of the conflict in Ukraine. The S&BIM concluded that due to the rapidly changing situation, an update would be provided at 30 March ARC and the risk register would be reviewed in that context.

S&BIM

- 11.3 A member noted that the Ukraine update stated the association had no Ukrainian or Russian colleagues and asked if there was data available for customers. The DDofH&C advised there were none in terms of the data collected but this may not be definitive.
- 11.4 The chair noted that in terms of customer satisfaction, community cohesion and potential hate crime, it may be necessary to look at additional measures to ease those situations. The EDofF&R responded that one of the EDI commitments approved in November was to improve data collection, to allow the association to reach out to customers and colleagues, and it was a priority to ensure data was accurate and up to date.
- 11.5 The CEO added that the post Brexit period saw an increase in hate crime in the community, with the association working with partners to address this, and it was important to be alert to any increase in hate crime reporting.
- 11.6 The CEO requested that the board note an additional resolution in that the strategic planning framework and Risk & Assurance framework were adequate to monitor and mitigate any actions that arose from the conflict.

Resolutions:

- 1. **The board noted the major changes in the operating environment**
- 2. **The board noted the materialisation of major risks in the last twelve months**
- 3. **The board reviewed the risk register at appendix 1**
- 4. **The board noted that in-depth reviews of the major risks had been undertaken.**
- 5. **The board noted that the strategic planning framework and Risk & Assurance framework were adequate to monitor and mitigate any actions that arose from the Ukraine conflict.**

Observers left the meeting before discussion of the next item.

12. B38.21/22 - Annual pay award and recommendation from RC

- 12.1 The deputy director of people (DDofP) referred members to the report, advising that it had been reviewed by the RC and recommendations

had been made to originally consult at [REDACTED]. The DDofP continued that trade union representatives had consulted with members and proposed a [REDACTED] which the association responded to with an offer of [REDACTED] from the unions. As this was above the [REDACTED] ceiling approved by RC, a written procedure was sent out to committee members on 22 February 2022 [REDACTED] was approved.

12.2 A member asked what the overall union membership was at the association and the DDofP responded that this information was not collected by HR as individual colleagues pay their membership fees direct to the union, however, membership was thought to be low. The member further noted the recommendations for those colleagues above the market rate and asked by how much the pay award would be moderated for these salaries. The EDofF&R advised of a sliding scale of 75-50% moderation, which was dependent upon how far the salary was above the market rate.

12.3 The member commented that it may be useful to look at the association's direction in the longer term, with the possibility of performance related pay, adding that blanket pay awards were a blunt tool for recognition and reward (R&R). The EDofF&R responded that the pay policy would be reviewed at the October RC meeting, and while there had been significant progress over the last five years, culminating in a more competitive R&R package, further refinements may be needed.

Resolutions:

1. **The board approved the recommendation from the RC of the proposed [REDACTED] annual award pay for colleagues, in line with the agreed pay approach, effective from 1 April 2022.**
2. **The board noted that those colleagues above the market rate would receive a moderated increase.**
3. **The board approved the recommendation from the RC of the proposed [REDACTED] annual award pay to be applied in the same way as for the association to the executives and leadership team, effective from 1 April 2022.**

Chris Sutton left the meeting.

13. B39.21/22 – Any other business

13.1 A member asked if there were plans to move to physical or hybrid board meetings. The deputy director of governance (DDofG) advised that any changes would be dependent upon WG guidance on the removal of restrictions, adding that when considering the meetings matrix in November 2021, members had approved all transactional meetings remain virtual, with BSPDs and workshops being held as face-to-face meetings.

- 13.2 There being no further any other business, the chair closed the meeting at 19:35

Date of next meeting – 25 May 2022

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