



Agenda item no: B18-1.23/24

Board minutes

Board meeting – virtual (Zoom) – Wednesday 26 July 2023

Present:

Members

Lynda Sagona	Board chair
Christian Cadwallader	Board vice chair
Guy Stenson	Board member
Kevin Ward	Board member
Chris Sutton	Board member
Mike Usher	Board member
Dale Walker	Board member
Sarah Croft	Board member
Marsine Kousarieh	Board member trainee

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)
Owain Roberts	Director of property and place (DofP&P)
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

Alison Johns	WG regulator (AJ)
--------------	-------------------

	AGENDA ITEM	ACTION
1.	Welcome to board members	
1.1	The chair opened the meeting at 17:32, welcoming members, colleagues and Alison Johns.	
2.	B8.23/24 – Apologies for absence	
2.1	Apologies were received from Dr Jenifer Baxter and James Tarrant.	
2.2	Andrew Gregory was absent from the meeting, no apologies were received in advance of the meeting.	
3.	B9.23/24 – Declarations of interest	
3.1	Members noted Mike Usher and Kevin Ward's interests relating to recommendations made in the pre-voting item, 2023 Board	

succession planning, AGM notice & arrangements report (B10-3.23/24).

3.2 Members noted all board members held a non-conflicting interest in the AGM notice.

4. B10.23/24 – Digital approvals

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

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.

Digital Resolutions:

1. B10-1.23/24 Board standard voting report

- The board approved the minutes dated 24 May 2023 as a true and accurate record
- The board noted the three completed, three ongoing and the one in progress matters arising items
- The board noted the CCC minutes dated 14 June 2023
- The board noted the ARC minutes dated 5 July 2023
- The board noted the five chair's actions, numbers 04-08
- The board noted that the company seal was used 16 times, numbers 08-23

2. B10-2.23/24 - Governance – Committee annual reporting

- The board noted the ARC annual report
- The board noted the ARC annual assurance report
- The board noted the Internal audit report
- The board noted the assets and liabilities register
- The board noted the Health, safety and wellbeing annual assurance report
- The board noted the Scrutiny Partnership customers and communities at the heart report
- The board noted the annual safeguarding report
- The board noted the CCC annual report

3. B10-3.23/24 - 2023 Board succession planning, AGM notice & arrangements

- The board approved the appointment of Kevin Ward and Mike Usher for a further 3-year term
- The board approved Option 1, holding a hybrid 2023 AGM
- The board approved the AGM draft notice at appendix 1
- The board approved the AGM voting/proxy form at appendix 2
- The board approved that any minor amendments required to the notice could be approved by the chair of the board and the company secretary to ensure compliance with the notice period
- The board noted arrangements for the 2023 AGM

- The board noted the Scrutiny Partnership's (SP) customer voice assurance report would be appended to the AGM notice
- 4. **B10-4.23/24 - Modern day slavery and human trafficking statement**
 - The board approved the modern slavery and human trafficking statement for year ended 31 March 2023
- 5. **B10-5.23/24 - Beyond 2025 strategy development**
 - The board noted the update on development of the 'beyond 2025' strategy
- 6. **B10-6.23/24 - Chair/CEO overview**
 - The board noted the Chair/CEO overview

Guy Stenson joined the meeting at 17:42

- 4.3 The chair thanked the DDofG&CS and governance team for incorporating member feedback in creating the board standard voting report (B10-1.23/24), commenting on the positive change.
- 4.4 The chair highlighted the Governance – committee annual reporting (B10-2.23/24) and thanked Guy Stenson and Kevin Ward for chairing both committees, before drawing members' attention to the 2023 board succession planning, AGM notice & arrangements (B10-3.23/24), thanking the selection panel for its role in recommending Mike Usher and Kevin Ward serve a further three years.
- 4.5 A member referenced the community engagement week referred to in the Chair and CEO overview and asked for earlier notice in future to assist with member attendance. The DDofG&CS confirmed the feedback would be addressed and fed back to colleagues.
- 4.6 Following the announcement of Homewards project aimed at tackling homelessness in Newport and other towns and cities across the UK, a member asked for information on the expected role the association would play in the project. The CEO confirmed the association received late notice that prevented partners from fully participating in the launch and that the association would continue to support the work of the local authority (LA), encouraging council colleagues to re-establish the strategic housing forum.
- 5. **B11.23/24 - Annual report & Financial Statements**
 - 5.1 The DDofF&P introduced the report, advising that the documentation had been informed by reporting to the audit and risk committee (ARC) and through the Integrated report (IR) received by board setting out on performance against strategy, financial results, risk and value for money (VfM).

- 5.2 The DDofF&P informed members that the external auditors presented the report to the 5 July 2023 ARC meeting and, following conversations on the key audit areas of pension treatment, VfM and assurance within the letter of representation; minor changes had been made upon request of the ARC and recommended to the board for approval.

Resolutions:

1. **The board approved the annual report & financial statements for the year ended 31 March 2023**
2. **The board approved the management response to the internal control recommendation detailed in section 4.4**
3. **The board approved the letter of representation**
4. **The board authorised the board chair and company secretary to sign on behalf of the association the financial statements year ended 31 March 2023 and the letter of representation**
5. **The board noted the external audit findings report**

Chris Sutton joined the meeting at 17:50

6. B12.23/24 – Regulation and compliance review

- 6.1 The DDofG&CS introduced the report and reminded members that the compliance process had commenced in the previous year when members had considered the association's compliance ratings and approved identified improvement actions. The DDofG&CS advised that an absent member had raised a query on the approach to scoring where an overall amber rating had been applied, when the majority of sub-ratings had been given a green status. Members noted this approach was undertaken when any sub-rating was amber, demonstrating the need to improve before being scored green.
- 6.2 The DDofG&CS answered a member's question, received in advance of the meeting, which queried the size of the customer subset and attributed 'green' rating, by highlighting the association's other forms of engagement through SP, NCH Connected and the neighbourhood model, which helped to inform the overall rating.
- 6.3 The SP&RL reflected on the number of customer engagement mechanisms in place, recognising there was room for improvement in the representation of customer feedback and considered the association compliant through its range of engagement methods.
- 6.4 A member confirmed the association had a broad spectrum of engagement mechanisms and of the digital growth seen through NCH

Connected, commenting that this was an evolving area and that the association was relatively strong.

- 6.5 The EDofOps highlighted the variety of customer engagement methods and advised how the association was targeting groups of underrepresented customers to increase response rates, whilst internally weighting survey responses to assist in analysing the views and feedback from less responsive groups.
- 6.6 The chair asked if the self-evaluation draft would be presented to the SP prior to submitting to Welsh Government (WG) and discussed the importance of the SP understanding how the document captured its performance. The SP&RL confirmed the self-evaluation had been reviewed by the SP and amendments to the draft would be presented to the partnership, referencing the importance of the Customer Voice strategy in steering the self-evaluation process and the ongoing capture and analysis of customer views that informed the association's self-evaluation, corporate plan and day-to-day service delivery.
- 6.7 The SP&RL explained that compliance with the regulatory standards was a minimum requirement and the association would continue to demonstrate its ambition to push beyond those standards through its improvement actions.
- 6.8 The chair commented on the third paragraph of page 192 that stated "All of the association's rents charged are deemed affordable", suggesting the sentence be rephrased with "All of the association's rents are affordable within the Joseph Rowntree Foundation (JRF) definition". The chair also indicated that on page 194 the word "strategy" appeared to be missing from the third paragraph. **SP&RL**
- 6.9 A member confirmed he was pleased with the self-evaluation process and the continued progress being sought, and asked how the feedback loop with WG would be closed and whether the self-evaluation would be published. The SP&RL confirmed that the self-evaluation was a live document informed by constant customer feedback with the loop closed through improvement actions presented to board against the scheduled timelines. Following invitation from the chair, AJ advised of the range of information used to inform the regulatory judgement and advised the association should not publish the self-evaluation until the completion of the regulatory judgement, following formal WG feedback.

Resolutions:

- 1. The board noted the annual compliance reviews undertaken of the Regulatory Standards and Code of Governance**
 - 2. The board agreed that the compliance assessment against the Regulatory Standards and Code of Governance was correct, that appropriate mechanisms were in place to monitor progress of existing improvement actions and that new improvement actions were appropriate**
 - 3. The board approved the self-evaluation report subject to feedback**
-
- 7. B13.23/24 – Phase 3 Newhaus, Usk Way Newport**
- 7.1 The EDofD introduced the report seeking approval for the change of contractor and a cost increase from the original scheme approved by board via written procedure in July 2022. The EDofD explained that further design and specification reviews had taken place which, along with inflationary pressures, had resulted in the updated and increased cost. The EDofD informed members that to achieve cost certainty the association had negotiated a fixed priced contract and added that colleagues continued to explore scheme improvements through the challenging operating environment.
- 7.2 A member asked if it was standard practice for a contractor to create a subsidiary for a large works programme and the EDofD explained that, on this occasion, the contractor had received advice from their financial advisors to form the new company.
- 7.3 The chair asked if colleagues were comfortable that the bond was sufficient and that the contractor change would not increase the association's risk. The EDofD confirmed the contract performance bond would provide a percentage of the contract sum by way of a cash on demand bond and the association had received confirmation from the contractor's broker that the bond and insurance would be in place.
- 7.4 A member drew attention to paragraph 3.5 of the report querying the security of the fixed price contract and whether a cost uplift could be requested under special circumstances. The EDofD confirmed there were no fluctuation clauses and that opportunities to claim existed, which were contained in standard clauses within the form of contract, should certain events arise.
- 7.5 A member asked if the [REDACTED] cost uplift from the original contract was the result of increased construction costs, inflation and a fixed price premium. The EDofD confirmed that the Building Cost Information Service (BCIS) indices had been considered and explained the inflationary uplift on material pricing before recognising the cost implications of the longer 36-month contract.

- 7.6 The CEO highlighted the erratic market the association was operating in, acknowledged the support of WG, and drew attention to the executive team's recent meeting on the bond and guarantee that enabled the association to make the right legal and moral choices to develop the site without being exploited or exploiting the contractor.
- 7.7 A member reflected on the volatility of the market and asked if the association was applying lessons learnt to mitigate against future development price escalations. The EDofD confirmed colleagues were continuously learning from scheme challenges and lessons learnt were built into processes to deliver viable schemes for the association and its contractors. The EDofD described the information sharing amongst peer organisations and cross sector debates that embedded development learning in the sector.
- 7.8 A member questioned whether some development schemes would have originally been approved at the new, inflated costs. The EDofD advised that the scheme remained viable and that due diligence on scheme viability would continue to be undertaken using Net Present Value (NPV) and Internal Rate of Return (IRR) tools, with viability supported by rent increases in the sector.
- 7.9 A member discussed the previously approved [REDACTED] contract value of [REDACTED] and asked for the revised uplifted figure. The EDofD confirmed this was [REDACTED] and the member asked that future reports use the breakdown table detailed in the original written procedure.
- 7.10 The EDofF&R reminded members that board received scheme closure reports through the IR that included lessons learnt, and the officer-led Investment Forum met regularly to assess scheme and programme risks with escalation procedures in place through the risk management framework. The EDofF&R added that the SP&RL would also continue to review and report supply chain risks to the ARC.
- 7.11 The chair was pleased to understand why the contractor had moved to a Special Purpose Vehicle (SPV) and commented on the positive NPV of the Newhaus development, recognising that every scheme was unique and would require individual solutions to meet the challenges of the operating environment.

Resolutions:

- 1. The board approved the association entering a [REDACTED] contract with [REDACTED], subject to an insurance and performance bond, with a total scheme cost not exceeding [REDACTED]**

2. **Upon request to amend the resolution to include the Company Secretary, the board approved delegating authority to the CEO, EDofF&R, EDofOps, EDofD and Company Secretary to sign and seal all documents associated with the transaction**

8. **B14.23/24 – Appointment of contractor for the replacement of the Duffryn District Heating System**
 - 8.1 The EDofOps introduced the report, reminding members of the challenges faced with the volume of network leaks that led to a temporary loss of heating for 1,000 customers in Duffryn. The EDofOps explained the association had taken external advice in finding the best solution to fix the heating network and was asking board to approve [REDACTED] as the principal contractor with a scheduled works completion date of May 2024.

 - 8.2 The EDofOps responded to a member’s question, received in advance of the meeting that asked if all viable and sustainable options had been considered, by discussing the investigation into air source pumps that explored the increased capital cost needed for 30 additional boiler stations and disruptive internal customer works. The EDofOps explained that the lifecycle of the recommended pipe replacement would be approximately 50 years as opposed to air or ground source heat pumps with a 15 to 20 year lifecycle that did not represent VfM.

 - 8.3 The EDofOps went on to discuss the external funding options for the pipe network, with a [REDACTED] application submitted to the UK government’s Heat Network Efficiency Scheme (HNES) fund and commented on the sustainable credentials of the Duffryn biomass boiler and concerns surrounding an air source heat pumps’ reliability on the national grid.

 - 8.4 The EDofOps concluded the introduction outlining the pursuit of the Duffryn heating indemnity from Newport City Council (NCC) obtained during transfer and the ongoing discussions with WG to the impact of the unplanned expenditure on the association’s business plan.

 - 8.5 A member drew attention to paragraph 2.6 that referenced repairs made ten years previously, asking if there was residual liability from the contractor. The EDofOps explained a review was undertaken and there appeared to be no clear direction on the association’s specification that could be leveraged.

 - 8.6 A member asked whether a full system shutdown would be needed in the event of future leaks, should the board accept the recommendation. The EDofOps explained that the proposed hybrid

pipe would provide improved monitoring of the network, offering a clearer indication as to the leg of pipe experiencing a leak and allowing for isolation as opposed to a full system shutdown.

- 8.7 A member drew attention to paragraph 5.6 that detailed the lack of a formal response from NCC with regards to the association's intent to claim against the indemnity. The EDofOps confirmed a formal notice was provided to NCC in February 2023 and several meetings between both parties had taken place with the association sharing additional information from its advisors upon request. The EDofOps explained that the last communication to NCC advised a formal response was required by 31 July 2023 to provide certainty on available funding after which point, information would be passed to solicitors to initiate legal proceedings.
- 8.8 A member asked for detail on how repair work would be conducted and managed with customers over winter. The EDofOps confirmed the majority of work would take place outside of customers' homes and the association planned to lay new pipe adjacent to the existing network to maintain the current system and minimise disruption. The EDofOps advised that the current system was losing 14,000 litres of water per day, winter demand would put increased pressure on the network and temporary fixes may be required, which highlighted the need to expedite the contractor's appointment using a framework process.
- 8.9 A member asked if the selected procurement method could provide NCC with a challenge to the association's claim. The EDofOps confirmed that risk to the indemnity was not considered a risk, as the procurement route was legitimate with the framework establishing the competence, skills and ability required, with external procurement advisors and a value consultant in place to ensure the association received VfM.
- 8.10 A member asked if the association had indemnity from the project manager and the EDofOps confirmed it did.
- 8.11 The CEO explained that under the transfer agreement, the association was obliged to notify NCC of its intended procurement route and NCC had the right to request further information. Having sought legal advice, the CEO remained confident the association had followed the requirements of the transfer agreement and attempted to act responsibly by notifying NCC early in the process. The CEO added that the association had received positive stakeholder feedback from its dealings with the Duffryn response and an

information exchange programme was being constructed to ensure the community understood the next steps.

- 8.12 A member asked if the association planned to award the contract whilst at risk of not securing the indemnity payment from NCC. The CEO stated NCC had until 31 July 2023 to respond and the association would formally notify NCC of its decision to continue with the contract award, maintaining communication at all times and proceeding without securing the indemnity if needed, with solicitors ready to progress the association's case.
- 8.13 The chair asked members to note that Devonshires Solicitors had been appointed by the association and that every effort would be made to secure the indemnity payment through appropriate legal channels.
- 8.14 A member asked for the value of the HNES funding application and when a decision would be made. The EDofOps was optimistic of the application for [REDACTED] that aligned with the fund's purpose, and confirmed that following the previous rejection, due to cost uncertainty, [REDACTED] would have a final price ready prior to the funds last clarification date of 7 August 2023.
- 8.15 The chair accepted the comprehensive overview to procurement and asked if there were any contractors that might take issue with the chosen route. The EDofOps explained the risk was minimal as the association used a legitimate procurement framework, and as a large civil engineering project the association's independent advisors confirmed it would be challenging to secure the right scale, skills and availability, in the open market, to complete the work in the required timeframe.

Resolutions:

- 1. The board noted the work undertaken to date for the replacement of the Duffryn District Heating System**
 - 2. The board approved the type of contract recommended for the project**
 - 3. The board approved the appointment of [REDACTED] to the position of Principal Contractor**
 - 4. The board approved delegating authority to the CEO, EDofF&R, EDofOps, EDofD and Company secretary to sign and seal a contract [REDACTED] for a sum not exceeding [REDACTED]**
- 9. B15.23/24 – Any other business**
- 9.1 The chair encouraged members to attend the upcoming Bitesize Customer Voice session on Monday 25 September 2023, following the board Touchpoint meeting.



9.2 There being no any other business, the chair closed the meeting at 18:52.

Date of next meeting – 27 September 2023