

Hexagon Housing Association Ltd

Minutes of the Board Meeting held on Tuesday, 27th January 2015 at 4:30pm at 130-136 Sydenham Road, Sydenham, London SE26 5JY.

Present: Debbie Bankole-Williams (Chair), Ruth Chambers, Kellie Elmes, Dermot Finn, Jeanette Kenyon, Martin Large, Gaius Vincent, Ian Mansell, Tom McCormack, Rosalind Watson, and Ian Watts.

In attendance: Semegne Alemayehu, Barbara Enoe (Residents' Forum Observer), Alisha Humphrey (Residents' Forum Observer), Jon Cross, Kerry Heath, Chris Melville, Phil Newsam, and Val Sharpe.

Apologies: Roy Coulter

		Action
15/01	The Chair welcomed everyone to the meeting and introductions were made all around.	
15/02	<i>Declarations of Interest</i>	
15/02/1	There were no declarations of interest.	
15/03	<i>Minutes of the meeting held on 25th November 2014</i>	
15/03/1	The Minutes were <u>agreed</u> .	
15/04	<i>Matters arising from the minutes</i>	
15/04/1	14/114/2 – do minutes marked ‘confidential’ really need to be ‘confidential’ – members noted that the HR Manager circulated via email which indicated that it is customary to show confidential minutes such as this separate.	
15/04/2	14/117/10 – 2015 Board members away-day – Tom reported that he met with the Chair to discuss the planning of this year’s board members away-day and that the proposed date of 4 th /5 th September was in his report for approval.	

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| 15/04/3 | 14/125/2 – Appointment of Pay Consultants – members noted that the HR Manager circulated via email an explanation about how the £1,950 savings had been calculated. | |
| 15/04/4 | Jeanette Kenyon joined the meeting at this point. | |
| 15/04/5 | 14/135/2 – Poor turnout in tenant board member elections – Gaius reported that the proposed meeting had yet to take place, but will progress shortly before reporting back to the full board. | GV |
| 15/04/6 | 14/115 – Review of the Residents’ Forum – Chris reported the Forum had asked for the item to come back to their next meeting when they would have more time to input into the draft brief to the consultant.

Dermot commented that there was no mention of the Co-op Forum in the review and asked that the Chair of the Co-op Forum be contacted by the consultant as he is a valuable resource. | |
| 15/04/7 | Gaius said he did not think the reference to ‘the Resident Involvement Team will be available to support the consultant in carrying out the review’ should be part of the brief. Tom suggested the consultant be asked to comment on staff involvement at forum meetings. | |
| 15/04/8 | Gaius asked whether the reciprocal arrangement of board members and Forum members attending board and forum meetings respectively is working. Chris said it was. Tom added that the rota for attendance can be reviewed when we get to the end of the existing list. | |
| 15/04/9 | Members agreed the recommendation to postpone making a decision on the scope of an external review of the Forum until the Residents’ Forum has made its contribution to the proposed brief. | |
| 15/04/10 | Matter arising from discussions about the Community Investment strategic priorities – Members noted Chris’ paper which provided details of the employment outcomes of the association’s community investment work. | |

Ian M. asked what the cost was for running the employment scheme for six people. Chris said that officers are looking into the usefulness of the social value tool with which we will be able to put a precise figure on costs and benefits of various community investment activities. Chris will provide details of the cost for running the scheme to the next meeting in that context.

CM

15/05 **Chief Executive's report**

15/05/1 The Board **agreed** the 2015 Board Away-Day dates of 4th/5th September and **noted** the date of 28th April for the special meeting to discuss Development.

Members **noted** the revised date for the June meeting, which is now 26th May.

15/05/2 Members **noted** for information the non-contractual payment to a member of staff which was approved by Tom under his delegated authority.

15/05/3 The Board also **noted** the other items in the report:

- SHIFT Gold Award
- Award won by the Paynes & Borthwick scheme
- Award for Employee Engagement
- The GLA audit report which confirmed our procedural performance in respect of the 2008/11 and 2011/15 development programmes is 'satisfactory'
- The latest NHF Quarterly report to Boards

15/06 **Financial Risk Appetite**

15/06/1 Phil Newsam's report provided the basis of a discussion on where the Board's risk appetite for financial risks might be. She explained that this report was the first in a series of reports on risk appetite.

15/06/2 After a detailed discussion, Members **noted** that a further report will be presented to the March meeting, summarising the decision taken.

PN

15/07 ***Strategic matters arising from the annual review of Development & New Business***

15/07/1 The report was presented by Jeanette Kenyon, Lead Board Member for Development. She said that high up on the risk map is being able to secure sites to deliver the 200 unit 2015/18 development programme. To date only one site has been secured. Further information will be presented to Members at the May meeting when the Business Plan is updated.

15/07/2 Kerry Heath verbally reported that there was a scheme, Birchfield Road, which was at risk of not achieving the revised completion deadline of June 2015. Officers have modelled the impact of having to return the grant which is circa £1m. The issue has been discussed with the GLA and we are waiting to see if they will allow us to move the scheme into another programme.

15/07/3 Members **approved** the proposed actions:

- that if sufficient progress is not made on securing 15/18 sites by March 2015, we will approach the GLA for increased grant (RCGF) on specific sites;
- we will establish a level of additional Hexagon subsidy required to deliver the 200 home programme and assess the impact on the business plan as part of the annual update and put forward a proposal to the May Board;
- consideration will be given to site opportunities which can be delivered directly (rather than via developers) by investing New Business resources in exploring option agreements and sites without planning consent;
- we will continue to monitor scheme progress closely as well as maintain a dialogue with the GLA on the issue of being able/unable to complete all of the March 2015 schemes by the required deadlines in order to protect the GLA grant;

- officers will ensure this risk is closely monitored and reported to members via the PIs completions report;
- as and when/if risks on the Peckham site for outright sale are minimised, officers will bring a proposal for the Board to consider;
- officers will keep abreast of market changes, and consider sufficient risk mitigation measures and viable exit strategies;
- in terms of delivering shared ownership homes for the 15/15 programme, officers will keep the situation under review when shared ownership schemes are being assessed for affordability;
- consideration will be given to approaching the GLA for additional grant on specific sites;
- consideration will be given to reducing the proportion of shared ownership homes in the programme.

15/08 ***Investment Policy and new loan to Horniman***

15/08/1

Quorum

The Chairman took the Chair. It was noted that a quorum of the Board was present and that each Member of the Board had been given proper notice of the meeting and of the matters to be discussed.

15/08/2

Declarations of Interest

Each Member of the Board present confirmed that they had no direct or indirect interest in any way in the proposed transaction and other arrangements to be considered at the meeting.

15/08/3

Business of the meeting

The Chairman reported that the purpose of the meeting was to consider the making of a loan by the Association to its subsidiary, Horniman Housing Association Limited (the Borrower), and, if thought fit, to approve the terms of, and the execution of the related loan agreement and any related security documents on behalf of the Association.

15/08/4

Background

1. It was reported to the meeting that the Association proposed to enter into a loan agreement (the Facility Agreement) with the Borrower pursuant to which the Association would make available to the Borrower a revolving loan facility of up to £10,500,000 (the Facility).
2. The Facility was being made available for purposes specifically approved by the Association in accordance with the agreed and approved business plan (the Business Plan) and in compliance with its investment policy (the Investment Policy).
3. It was noted that:
 - if demand has not been made before, the Facility will be repayable in full on the fourth anniversary of the date of completion of the Facility Agreement (or a later date agreed with the Lender, which is not later than the sixth such anniversary) (the Final Repayment Date). In the interim it will be available for drawing up to the Final Repayment Date;
 - the Borrower would be able to prepay or cancel the Facility in whole or in part subject to the Borrower indemnifying the Association for any break costs incurred in respect of any prepayment or cancellation;
 - the interest rate will be 9% per annum and that interest would be payable every three months;
 - the Borrower would grant a fixed charge in favour of the Association (the Fixed Charge) over the property which is to be developed using the proceeds of the Facility; and
 - the Association would need to demonstrate on-going compliance with the Regulatory Framework of the Homes and Communities Agency and ensure that its social housing is protected (Regulatory Compliance).

15/08/5

Documents

There was produced to the Meeting the heads of terms for the Facility and a draft of the Facility Agreement in substantially its final form together with a report on the transaction from the solicitors to the Association.

15/08/6

Discussion

The Board discussed:

1. the nature and purpose of the Facility to be granted by the Association to the Borrower under and by virtue of the Facility Agreement and the terms and conditions of the Facility Agreement and the rights and obligations that the Association will assume by entering into it and the interest rate;
2. whether the granting of the Facility would be, in the Board's opinion, for a purpose that would be regarded by the Homes and Communities Agency (HCA) as social housing or, if not, whether in making the Facility, the Association would breach the regulatory standards of the HCA;
3. all other relevant factors relating to the making of the Facility including tax issues, the other risks involved and the Association's continued compliance with the HCA's regulatory framework for social housing in England; and
4. taking into account the investment advice received from Capita Asset Services whether the granting of the Facility would, as an investment into development for sale, be a proper investment for a charity and whether it was also compliant with the Investment Policy.

The contents of the Facility Agreement and other documents tabled were noted.

It was further noted that:

- entry into the Facility Agreement and would not be in breach of the Rules of the Association;

- the transactions contemplated by the Facility Agreement:
 - (a) were prudent for the Association to enter into; and
 - (b) in compliance with the Investment Policy;
 - (c) in accordance with the Business Plan; and
 - (d) were being entered into for a purpose that would not breach the regulatory requirements of the HCA.
- the Association's financial viability would be maintained following the making of the Facility; and
- the Board considers that the entry into the Facility Agreement and any related security documents is in the best interests of the Association.

15/08/7

Resolutions

Having regard to the factors relevant to the decisions and the detailed discussions referred to above the Board considered that the entry by the Association into the Facility Agreement would be prudent for the Association and is in the best interests of the Association **AND IT WAS RESOLVED THAT:**

- The Association be authorised to lend amounts of up to a maximum aggregate amount of £10,500,000 to the Borrower under the Facility Agreement for the term, at the interest rate and on the terms and conditions set out in the Facility Agreement and that the Facility is to be utilised for the purposes stated therein.
- Having regard to the advice received by the Association, the entry by the Association into the Facility Agreement is in the best interests of the Association and is prudent for the Association and that the Facility is to be used for purposes specifically approved by the Association in accordance with the Business Plan and in compliance with the Investment Policy.

- The Facility Agreement be approved in the form or in substantially the form of the relevant draft presented to the Committee.
- The terms of the Fixed Charge and the terms of, and the lending by the Association of, the Facility provided for in the Facility Agreement and the transactions contemplated thereby be approved.
- Any one of the persons holding the offices of the Association specified below (or any equivalent office from time to time):

Chief Executive
 Finance & IT Director
 Development & Regeneration Director

be and is hereby authorised on behalf of the Association to agree the final terms of the Facility Agreement and any other letter, deed or document relating thereto with such amendments as such persons shall deem necessary or appropriate acting in their absolute discretion.

- Any one Committee Member or any one of the persons holding the offices of the Association specified below (or any equivalent office from time to time) (each an **Authorised Signatory**):

Chief Executive
 Finance & IT Director
 Development & Regeneration Director
 Operations Director
 Property Services Director
 Finance Manager

be and is hereby authorised on behalf of the Association to execute under hand the Facility Agreement and all agreements, letters and documents to be entered into by the Association pursuant to the Facility Agreement and any other document which does not require the Association's seal to be affixed.

	<ul style="list-style-type: none"> - The Common Seal of the Association be affixed to any document to be entered into pursuant to or in connection with the Facility Agreement which requires the Association's seal and that each document be sealed and that the sealing be attested by any two of the Authorised Signatories or otherwise in accordance with the Association's rules as varied from time to time. - Any Authorised Signatory authorised under resolution 7.6 above be and is hereby authorised on behalf of the Association to execute and deliver any other documents, notices, letters or other communications and to perform all matters, acts and things which such person in his/her absolute discretion deems to be necessary or desirable in connection with the Facility Agreement. - the Finance & IT Director updates the Association's risk register.; - that the rate of return is explained more clearly in the context of how capitalized interest impacts upon the return. 	PN
15/08/8	Ian Watts left the meeting at this point.	
15/09	<i>Management Accounts – Q3</i>	
15/09/1	Semegne Alemayehu joined the meeting and reported that the total surplus for the 9 months to 31 st December is £8,137k compared to a budget of £6,137k. Operating surplus is £7,679k compared to a budget of £7,210k.	
15/09/2	It was agreed that Members will be provided with the Balance Sheet and Cash Flow reports with the next Management Accounts. Members will then decide whether they wish to receive these reports in future.	SA
15/09/3	Members noted the report.	

15/10 ***Sustainability Strategy & Greening the Stock Strategy – annual update***

15/10/1 The Board **noted** the report presented by Jon Cross which provided an update on key activities from the Asset Management Strategy, the Greening the Stock Strategy and the Sustainability Strategy and noted the progress being made across these strategies.

15/11 ***Quarter 3 Treasury Management***

15/11/1 Phil Newsam requested approval to convene an Urgency Sub-Committee meeting to consider whether we should take advantage of unusually low long term interest rates and do another swap (i.e. we could fix loan terms for 30 years at 1.6%). It was agreed that the sub-committee will comprise the Chair, Vice Chairs, Chair of Audit & Risk Committee and the Chief Executive. Phil will produce a paper which presents the pros and cons of doing another swap to fix loan terms. This was **agreed** and the outcome will be reported to the next meeting.

Urgency
sub-
committee

15/12 ***Property Services Repairs Position***

15/12/1 Jon Cross presented a report which updated Members on the current position in relation to the repairs service.

15/12/2 The Board **noted** the report and also noted that Jon, with support from Ian Watts and Directors, will be presenting to the March meeting a paper which sets out the long-term solution for the repairs service, together with an action plan and timetable for securing a contract solution before the end of the 2015/16 financial year.

15/13 ***Performance Indicators – Q3***

15/13/1 Rosalind Watson, Lead Board Member for Performance Management, drew Members' attention to the new format for presenting the Development PIs and the new indicator around Fire Risk Assessments.

15/13/2 Barbara Enoe left the meeting at this point.

15/13/3	The Board approved : <ul style="list-style-type: none"> - the new simplified set of development programme indicators; - the new preliminary indicator for Fire Risk Assessments and a proposal that the draft indicator be enhanced in the next quarterly PI report. 	
15/13/4	Members noted the Q3 performance overall and approved the actions being taken as shown in the commentaries in the tables to improve performance where necessary.	
15/13/5	Jeanette Kenyon left the meeting at this point.	
15/14	<i>Should Hexagon implement 'pay to stay'?</i>	
15/14/1	The Board confirmed its previous view not to implement Pay to Stay for tenants. This decision could be revisited at a later date if necessary.	
15/15	<i>Residents' Inspection – Cyclical Decoration</i>	
15/15/1	Chris Melville presented the report. Members confirmed that they would like to receive this report in future and noted that there will be two inspections per year.	BH
15/15/2	Dermot will discuss a particular issue with lack of communication on planned works for co-ops managed properties with Jon outside the meeting.	DF/JC
15/15/3	Members noted the report.	
15/16	<i>Welfare Reform response plan – progress report</i>	
15/16/1	The report was presented by Chris Melville. Members approved the Welfare Reform response plan and endorsed the priorities for further work as set out in Section of the report.	

15/17 ***Draft Minutes of the Residents' Forum meeting***

15/17/1 The Board noted the draft minutes of the Residents' Forum meeting held on 14th January 2015.

15/18 ***Use of the Company Seal***

15/18/1 Members **noted** the use of the company seal since the last meeting.

15/19 ***Starters and Leavers***

15/19/1 The Board **noted** the report.

15/20 ***Confidential report***

15/20/1 All Directors left and Residents' Forum Observer, Alisha Humphrey, left the meeting at this point.

15/21 ***Any Other Business***

15/21/1 There was no other business.

15/21/2 There being no other business, the Chair declared the meeting closed at 8:48pm.

Minutes of the Board Meeting held on Tuesday, 27th January 2015.

Signed (Chair)

Date