

Hexagon Housing Association Ltd

Minutes of the Board Meeting held on Tuesday, 28th March 2017 at 4:30pm at 130-136 Sydenham Road, Sydenham, London SE26 5JY.

Present: Roy Coulter (Chair), Mark Allan, Debbie Bankole-Williams, Ruth Chambers, Dermot Finn, Jeanette Kenyon, Martin Large, Ian Mansell, Ranna McArdle, Tom McCormack, Rosalind Watson, Fiona Underwood (Altair), and Toby Lebeter (Altair).

In attendance: David Collick (Minutes – part), Kerry Heath, Phil Newsam, and Val Sharpe (Minutes – part).

Apologies: Ian Watts, Chris Melville

		Action
17/26	<i>Declarations of Interest</i>	
17/26/1	Jeanette Kenyon declared that she was about to commence a commission with consultants Airey Miller. Hexagon also works with Airey Miler.	
17/26/2	Ian Watts informed that one of the Board Members of PA Housing, his employers, is a director of contractors, Lakers. Lakers is one of the repairs contractors used by Hexagon.	
17/26/3	Martin Large declared that he is due to be a Director at Greenoak Housing Association.	
17/27	<i>Minutes of the meeting held on 31st January 2017</i>	
17/27/1	The minutes were agreed .	
17/28	<i>Matters arising</i>	
17/28/1	HCA In-Depth Assessment (IDA) – The result of the IDA was reported and Hexagon has retained its G1 and V1 status, the highest ratings. We are awaiting verbal feedback from the HCA. Thanks to everyone involved.	
17/28/2	Rent compliance – the last re-payment, to Look Ahead, has been made.	

17/29 2018/21 Homes for Londoners Programme

- 17/29/1 Jeanette Kenyon presented the report which requested Board approval for the 2018/21 development programme and initial bid, and for delegated powers to the Directors' Group.
- 17/29/2 Jeanette confirmed that the programme achieves all the financial parameters set by the Board.
- 17/29/3 Members discussed the proposed programme in detail, including the possible risks and actions being taken or will be taken to mitigate these risks.
- 17/29/4 In response to the question of whether there are difficulties in getting planning in LB Croydon or elsewhere, Kerry Heath said there is a problem in Croydon and other boroughs, although we do keep the GLA informed of progress. Delays in planning do present a risk, but we monitor and manage these carefully.
- 17/29/5 Tom McCormack said he supported the programme, although it is recognised that it presents a step change in light of the increased number of outright sale units included to support the programme. However, if sales crash, we can stop development and hand back the grant if necessary.
- 17/29/6 Debbie Bankole-Williams said the outright sales element of the programme presents a significant risk area and a Plan B is needed for the sale units.
- 17/29/7 Ranna McArdle asked whether there are penalties if we have to hand back grant. Kerry said no penalties are expected although we haven't yet seen the contract. There may be reputational issues, but other associations are likely be in the same position.
- 17/29/8 Dermot Finn said he fundamentally disagreed with the Development Bid. He said we should be taking a cautious approach focusing on S106 opportunities. He said he is convinced we are heading for a housing crash and therefore we should not be exposing ourselves to this risk.
- 17/29/9 Dermot said the new model includes London Affordable Rents (LAR) which is good, but asked how these new rents compared to target rents.

- Kerry said that the table on Page 4 of the report provided some of this information, but she is happy to provide Dermot with information that further explains this. KH
- 17/29/10 Jeanette said other housing associations are exploring similar approaches.
- 17/29/11 The Chair said he thinks we have approached this in a measured and balanced way, although we will need to watch the risks carefully.
- 17/29/12 Martin suggested that the recommendation be made clearer around the break point of rented development without the certainty of outright sale.
- 17/29/13 Members **agreed** to expand the recommendation to state that in the context of providing the cross subsidy for the rented homes, officers will ensure that no more than half of the rented units are on site, unless the supporting outright sale units are also on site. Directors will not approve new schemes for rent unless this measure is met.
- 17/29/14 Debbie Bankole-Williams said that landbanking may increase the cost per unit for sale and that she was not comfortable having this delegated to Directors.
- Kerry said that the previous Board agreed the risk measures for landbanking. In this programme, around four sites are due to be identified. This is not something new and authorities were delegated some time ago.
- 17/29/15 Debbie said the scale is larger in this programme.
- 17/29/16 In response to Jeanette's question about what mechanisms are in place to ensure we don't pay too much for sites, Kerry said two independent valuations are obtained and the sites are appraised and the risk measures discussed on a site by site basis for every site.
- 17/29/17 Members, **except Dermot Finn, approved:**
- The 2018/21 Development Programme (and the initial bid) as set out in the report and agreed that the subsidy supported by operating surpluses will not exceed £3,971,820;

- That Directors are given delegated authority to approve rent, shared ownership and landbank schemes within the Board's programme approved Hexagon subsidy limit, and Capital at Risk limits. All outright sale schemes will be approved by the Board.

17/30 *Impact of the proposed 2018/21 Development programme on the 30-year financial forecast*

- 17/30/1 Debbie Bankole-Williams introduced the report. She said she has discussed the Capital at Risk with Phil Newsam and would propose that this risk is limited to £5.1m, revised from £8m which was agreed at the November Board. She said we need to manage the risk over the medium to long term, not short term and believes it is more sensible to adjust the Capital at Risk down to £5.1m.
- 17/30/2 Debbie drew attention to Section 2.3 which set out the questions used to assess the Financial Plan, looking at all risks and investment measures. All the measures have been met.
- 17/30/3 Dermot Finn said he thinks that if a housing crash occurs, many factors will occur. He said he thinks that the assumption in relation to Voluntary Right to Buy should be factored in even though it is not currently Government policy.
- 17/30/4 Phil said the Board agreed to remove Voluntary Right to Buy as it "flattened" the Plan early on. The stress testing do include a housing crash and the risk to sale units if values fell.
- 17/30/5 After further discussion, the Board, except Dermot Finn, were **in favour of** the recommendation to note the results of the latest 30 year financial forecast, including the proposed 2018/21 development, and the stress-testing thereof.
- 17/30/6 The Board **agreed** to retain a risk appetite for sales risk that would take the Association half way to an interest cover breach, and **agreed** a new capital at risk limit of £5.1m.

17/31 Development Strategy 2017/21

- 17/31/1 Jeanette Kenyon introduced the 2017/21 Development Strategy which proposed how to deliver the development programme over the next four years. This is the final version of the strategy following feedback from Board Members at the January meeting.
- 17/31/2 Ranna McArdle asked whether some consideration can be given to providing shared accommodation for younger or older residents to meet changing need.
- Tom McCormack said that Under 35's may not be able to be housed following the change in benefit rules. A strategy is being developed to address this, but it is too early to be included in the Development Strategy.
- 17/31/3 Ian Mansell said a report is needed to ensure a clear understanding at Board level of the progress with each programme. Kerry reminded that progress against the programmes is already reported to the Board on a quarterly basis and this report will include the new programme in future.
- 17/31/4 The Board **approved** the Development Strategy for 2017/21 and **noted** that feedback will be sought from the Residents' Forum and reported back to Members.

17/32 Chief Executive's Report

- 17/32/1 Tom McCormack presented his report which provided an update across a range of issues including:
- Housing White Paper 2017
 - Budget announcement on 8th March – Housing was not mentioned at all in the Budget.
 - HCA De-Regulation measures
 - Balance between strategy and operations
 - Resident Board Member Elections
 - Chris Melville's retirement
 - Mark to Market Movement on interest rate SWAPs
 - Strategic matters arising from the annual review of HR & Facilities
 - Repairs update
 - MinutePad update
 - Proposed Board Away-Day date
 - NHF Liability Insurance

17/32/2 **Balance between strategy and operations** - There was some discussion around whether or not to establish a topic-based sub-committee. Rosalind Watson suggested that there could be an operations sub-committee that could cover areas such as Value for Money, Community Investment, Resident Involvement, Performance Management, etc.

17/32/3 After further discussion, it was **agreed** to defer any decision on this topic and to re-visit this after the results of the Governance Review were known.

17/32/4 **Resident Board Member Elections** – Rosalind said that she does not agree that there should only be two Board Members on the recruitment Panel and would prefer that there were three as per last year.

Members subsequently **agreed** for the panel to consist of three members and the same members as per last year came forward. The Panel will therefore be Ruth Chambers, Rosalind Watson and Ian Mansell.

17/32/5 The Board **agreed** the approach to reporting on Mark to Market movement on interest rate SWAPs. As the Barclays security charging exercise is now complete, Members will receive updates via the Finance Director's quarterly Treasury report to the Board, as opposed to in the Chief Executive's report.

17/32/6 Members **agreed** the Board Away-Day as Saturday, 9th September 2017.

17/33 *Strategic matters arising from the IT annual review*

17/33/1 Dermot Finn presented the report which set out the main strategic issues arising from the annual review of IT. There are two main issues:

- The implementation of a new housing management/maintenance system
- To improve the resilience of our IT systems

17/33/2 After some discussion, the Board **noted** the progress on replacing Genero and the likely timescale for implementation of business-critical modules. Members also **noted** the recent increase in systems downtime and the actions planned to improve IT resilience.

17/34 2017/18 Budget

17/34/1 Debbie Bankole-Williams presented the proposed 2017/18 Budget and drew Members' particular attention to the assumptions used set out in Section 3. Debbie confirms that she believes the proposed budget is realistic and takes account of our strategic direction.

17/34/2 Ruth Chambers asked about the future of the Athena Project. Tom McCormack said that the Project will cease as we were not successful in securing further funding.

17/34/3 The Board **approved** the 2017/18 Budget and the accompanying staff establishment.

17/35 New approach to Value for Money

17/35/1 Martin Large presented the report which set out a new approach to measuring, targeting and reporting on Value for Money in order to deliver the improvements requested at the Board Away-Day. He explained that the approach uses six high level themes and nine high level targets, with a 'golden thread' to link to an annual strategy, budgets and the departmental workplans which will in turn drive personal objectives for staff.

17/35/2 Since the January meeting, one further theme has been added: Effective Asset Management.

17/35/3 It was requested that a further recommendation be added to reflect the fact that Officers have proposed that we formally sign up to the Sector Scorecard value for money measures being piloted by over 250 housing associations during 2017/18.

17/35/4 The Board therefore **approved**:

- The 3-year Value for Money measures and targets set out in the report and included in the draft Corporate Plan;

- The request that Hexagon formally signs up to the pilot of the Sector Scorecard.

17/35/5 Members **noted** that the draft Value for Money Strategy for 2017/18 will be considered by the Residents' Forum before being presented to the June Board for approval.

17/36 CTX Genero Replacement

17/36/1 Dermot Finn presented a report which requested Board approval to appoint Civica to supply its Cx product to the association as a replacement for the current housing management system, Genero. This recommendation is based on the results of a competitive tender.

17/36/2 Dermot said he had had initial reservations about going with a Civica product bearing in mind the difficulties we experienced with other Civica products. He provided Members with details of the process involved in selecting the new IT system and said it promises to be a vast improvement on our current system, Genero.

17/36/3 Debbie Bankole-Williams said she also had initial reservations about using Civica, particularly in light of previous problems with the Information Flow (IF) Project and the fact that Civica only marginally scored higher than the Aeron product.

17/36/4 After further discussion, the Board **approved** the recommendation to appoint Civica to supply its Cx product to the Association.

17/37 Corporate Plan 2017/20

17/37/1 Tom McCormack presented the final of four Board reports on the 2017/20 Corporate Plan and explained that the Plan was now ready for Board approval following input from Members at three previous meetings, together with input from residents via the Residents' Forum, Directors, Managers, and staff.

17/37/2 Tom said our aspirations in relation to achieving Value for Money is now appended under Section 8.2, although he will do further work to improve the presentation of this section.

17/37/3 Ruth Chambers said the Plan set out clearly what we wanted to achieve. She asked whether the targets around the objective 'To support our low-income residents with money advice/support measures to ensure they can sustain their tenancies (Section 8(j)) were realistic. Tom said the targets were defined with the input of the Community Investment Manager and Chris Melville, and although it is recognised that they will be challenging, these will help with our continuous improvement agenda.

17/37/4 The Board **approved** the 2017/20 Corporate Plan.

17/38 *Asset Management Strategy*

17/38/1 David Collick presented the 2017/21 Asset Management Strategy in the absence of Ian Watts. He explained that the Strategy has been developed following Members' comments at the January meeting on some key areas being developed for the strategy. The Residents' Forum has also provided comments on the main aspects of the 'active asset management' section and will provide further comments when the Strategy is again presented for their input.

17/38/2 David said the strategy was now part of a new suite of compliance KPIs which will go to Directors' Group in April and the Board in June for approval.

17/38/3 Martin Large asked whether the strategy should include a paragraph around looking for development opportunities within our own assets. It was **agreed** that it should. David will therefore 'lift' the appropriate text from the Development strategy and insert in the Asset Management Strategy.

DC

17/38/4 The Board **approved** the Asset Management Strategy.

17/39 *Changes to Corporate Risks*

17/39/1 Phil Newsam explained that the report on the most serious gross and net risks was reported to the February Audit & Risk Committee. She confirmed that there have been no new emerging risks between meetings.

17/39/2 The Board **noted** the report.

17/40 *Brickfield Cottages update*

17/40/1 Kerry Heath reported that the decanting process is going well with 15 households now moved and a further 15 pre-allocated to a home. There are only 10 households now waiting for a property to be allocated to them.

17/40/2 With regard to our legal position and seeking recovery of our losses, we are still waiting for our insurer to agree on our proposed course of action to issue a letter of claim against contractors, Skillcrown. There is some delay in this, despite letters to our insurers from Tom McCormack and our solicitors, Devonshires. Updates will continue to be provided to the Board at each meeting.

17/40/3 Members **noted** the report.

17/41 *Innovation in Development Group*

17/41/1 Members **noted** the minutes of the Innovation in Development Working Group meeting of 31st January 2017. Martin Large said the Group is awaiting the proposal from FFT in relation to development potential/value enhancement at Hexagon owned estates.

17/42 *Audit & Risk Committee minutes*

17/42/1 Ian Watts (via email) reported that the first meeting with new external auditors, KPMG, went well with no issues raised at the meeting.

17/42/2 The Board **noted** the draft minutes of the Audit & Risk Committee meeting held on 14th February 2017.

17/43 *Minutes of the Urgency Sub-Committee*

17/43/1 Members **noted** the minutes of the Urgency Sub-Committee meeting held by telephone on 16th February 2017 to approve the Yorkshire Building Society loan agreement.

17/44 *Resident Groups minutes*

17/44/1 The Board **noted** the minutes of the Performance Review Group meeting held on 19th January and the Repairs Group meeting held on 17th January 2017.

17/44/2 Members noted that Pam Daley had come to the end of her tenure as Chair of the Repairs Group. As a token of the Board's appreciation of Pam's work on the Repairs Group, Members asked Tom McCormack to write a note of thanks to Pam, together with a small gift. TMc

17/45 Use of the Company Seal

17/45/1 Members noted the use of the company Seal since its last meeting.

17/46 Starters & Leavers

17/46/1 The Board noted the report.

17/47 Feedback from board members

17/47/1 There was no feedback from Board Members.

17/48 Stage 3 Complaint hearings

17/48/1 The Board noted the outcome and lessons learnt outlined in the reports covering the three recently heard Stage 3 complaints.

17/48/2 Mark Allan asked whether, if any of the complaints went to the Housing Ombudsman, this would be reported back to the Board. Officers confirmed that a report would come back to the Board.

17/48/3 The Board noted the reports.

17/49 Any Other Business

17/49/1 **Chris Melville** - Tom reported that Chris will be retiring after over 22 years at Hexagon. A successor has been appointed, subject to suitable references.

The Board thanked Chris for her hard work and agreed that the Chair, on behalf of the Board, will write to Chris expressing their thanks and best wishes. Chair

17/49/2 **Horniman Housing Association** – Tom said that attempts to recruit an independent member to the Horniman Board have not been successful. He proposed that the Board approve the principle to pay a new member, as opposed to the post being on a voluntary basis. Tom will then ask the HR Manager to contact our recruitment consultants for advice about a suitable level of pay.

TMc

The Board **approved** the principle of paying an independent member to the Horniman Board.

17/49/3 All the Directors left the meeting at this point.

17/50 Confidential report

There being no other business, the Chair declared the meeting closed at 4.10pm.

Minutes of the Board Meeting held on Tuesday, 28th March 2017.

Signed (Chair)

Date