

# Hexagon Housing Association Ltd

## Minutes of the Board Meeting held on Tuesday, 29<sup>th</sup> November 2016 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, and Ian Watts.

**In attendance:** David Collick, Kerry Heath, Chris Melville, Phil Newsam, Jacqui Fergus (Observer - Residents' Forum), Shona Muwanga (Observer – Residents' Forum), and Val Sharpe.

**Apologies:** None

	<b>Action</b>
<b>16/120</b> There were introductions all around.	
<b>16/121</b> <i><b>Declarations of Interest</b></i>	
16/121/1 There were no declarations of interest.	
<b>16/122</b> <i><b>Minutes of the meeting held on 27<sup>th</sup> September 2016</b></i>	
16/122/1 The Minutes were <u>agreed</u> .	
<b>16/123</b> <i><b>Matters arising from the Minutes</b></i>	
16/123/1 <b>16/100/2 – Strategic matters arising from the review of HR</b> – Debbie Bankole-Williams confirmed that she has received the information she requested in relation to job applicants in terms of the number of young people that had applied and the number of young people recruited.	
16/123/2 <b>16/100/3 – Strategic matters arising from the annual review of Housing Services</b> – Chris Melville said the information in relation to the Association's residents' profile was circulated before the Board Away-Day. The topic will be put on the agenda for discussion at the next Board meeting as requested by Debbie.	CM

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|---------------|--|-----|
| 16/123/3      | <b>16/100/6 – Brockley Tenants’ Co-op</b> – Chris will provide an update to Members at the January meeting.  | CM  |
| 16/123/4      | <b>16/101/3 – Electronic Board papers</b> – Tom said the pilot with the Directors’ Group has not yet been completed, so the timescale for roll out to Board Members will be longer than first anticipated.   |     |
| 16/123/5      | <b>16/104/2 – Strategic matters arising from the annual review of Resident Involvement</b> – Chris said the report on the Residents’ Forum, including the new Constitution, has been deferred to a later meeting as the Forum has not yet approved the revised Constitution.   |     |
| 16/123/6      | <b>16/106/2 – Sample Risk Appetite report</b> – Phil Newsam confirmed that she has provided the definitions on the meaning of the metrics on the table as requested as evidenced on the report on the agenda.  |     |
| 16/123/7      | The Confidential minutes were <u>agreed</u> .  |     |
| <b>16/124</b> | <b><i>Chief Executive’s report</i></b>   |     |
| 16/124/1      | Tom McCormack presented his report which provided an update across a range of issues.  |     |
|               | <b>Action Plan arising from the September Board Away-Day</b> – Ruth Chambers said Members need to decide what the Board/Committees need to see and agree and this needs to be explicit. Tom agreed to address this in the planned March Board paper contained in the plan.   | TMc |
| 16/124/2      | Rosalind Watson said the words ‘resident engagement’ comes up several times in the facilitator’s notes, but does not feature in the action plan. Tom agreed, but said he focused on the areas where there were specific action points needed and he did not identify one arising in respect of those comments.<br><br>The Chair said that no key points for the future in respect of resident engagement were formulated at the away-day and this would need to be done outside the meeting if needed. |     |
| 16/124/3      | Mark Allan arrived at this point.  |     |

16/124/4	Martin Large said Members needed to consider whether the “right” topics were covered. Tom said he will include in the brief for the review of governance which will come to the Board in January.	TMc
16/124/5	Members <b>approved</b> the Board Away-Day Action Plan, subject to inclusion of the suggestion above when the Board receives the January Governance Review Brief.	
16/124/6	Mark Allan <b>agreed</b> to become the <b>Lead Board Member</b> for Performance Management and Ranna McArdle <b>agreed</b> to cover Resident Involvement.	
16/124/7	Ranna also <b>agreed</b> to join the <b>Audit &amp; Risk Committee</b> .	
16/124/8	Members <b>agreed</b> the recommendation that the draft minutes from the various resident groups can be provided to the Board, with a covering report, subject to approval from the respective groups’ chair.	
	It was agreed that this suggestion be put to the Residents’ Forum for their agreement.	BH
16/124/9	Both Ranna and Jeanette Kenyon said they would like to attend the <b>Board Members Conference</b> in February 2017.	VS
16/124/10	Tom also provided a verbal update following the Autumn Statement which was announced on 23 <sup>rd</sup> November. He reported the good news for housing associations included: <ul style="list-style-type: none"> <li>- There appears to be more money going into housing provision which will be made available for housing associations to bid for. This provision will include circa £1.4bn to build more ‘affordable’ homes;</li> <li>- It appears that the roll out of the Voluntary Right to Buy initiative has been delayed. The pilot will be extended until the end of this Parliament;</li> <li>- The Government has made some small changes to the tapers that apply in Universal Credit, which should benefit residents slightly.</li> </ul> <p>The less good news was that the Local Housing Allowance cap will apply to new and existing tenants on Universal Credit from 2019. The welfare reform action plan update in January will address that emerging risk.</p>	CM

16/124/11 After some discussion of the topics raised, Members **noted** the remainder of the report.

**16/125 Strategic matters arising from the annual review of Finance**

16/125/1 Debbie Bankole-Williams presented the report. She said it was good to be able to celebrate the performance of the Finance Team in achieving the objective they set out last year in terms of delivering FRS 102. Members congratulated the team.

16/125/2 Debbie also drew Members' attention to the Value for Money information which stated that, compared to other London associations, Hexagon's finance operations cost less than most during 2014/15.

16/125/3 She reported that another post will be employed to assist with improving the recording and reporting of service charges.

16/125/4 Members **noted** the report and the continued intention to report covenants to lenders on the basis of previous accounting practice, deferring any re-negotiation to an FRS 102 basis for at least two years.

**16/126 Strategic matters arising from the annual review of Stock Improvement**

16/126/1 David Collick presented the report which set out the strategic issues arising from the review of the Stock Improvement team. He said last year's report was focused around how asset management was working. He said we are looking to invest in a new Net Present Value tool to assist with asset management and it is planned that this tool will be in place early next year. This will also form the basis of further fine tuning of our approach to identifying properties for disposal.

16/126/2 David said that our previous aspirations to achieve SAP ratings of 65 for all our properties is no longer achievable as it would cost us circa £4.7m and ECO subsidy grant for this work is either no longer available or very difficult to get. We will instead focus on 'quick wins' in getting properties up to good value. Further details will be available as we update the Asset Management Strategy initially in January and finalising in March.

- 16/126/3 David reported that at the recent SHIFT awards, Hexagon has retained its Gold Standard and received a 'Best in Class' award for new build.
- 16/126/4 Martin Large said he found it quite hard to link the Value for Money strategy to value for money in the report. He said the asset management tool will be a key VFM issue and therefore he is pleased that there is now a timetable for this.
- 16/126/5 Referring to the item later on the agenda in relation to purchasing properties to which to decant the Brickfield Cottages residents, Martin asked whether the properties purchased will meet our SAP ratings.
- Kerry Heath said that the driver is the need to decant the residents. However, surveys will inform us on the EPC ratings of the properties.
- 16/126/6 Members **noted** the report and agreed that a report should come back to the Board in March on progress with the asset management tool. DC
- 16/126/7 Jacqui Fergus (Residents' Forum observer) joined the meeting at this point.
- 16/127 Strategic matters arising from the annual review of Responsive Repairs**
- 16/127/1 The report was presented by Ian Watts. He said one key area which will need focus is the completion of work to get the interface with contractors P&R, up and running.
- David said we are expecting the interface with P&R to go live this week, although it may take them some time to clear the backlog.
- 16/127/2 Martin said the survey figures quoted in the report were different to the ones in the PIs report. Ian explained that one reports on the outcome of the STAR survey which is 'over time', whereas the other survey is carried out very soon after the repair has been completed. Martin said it would be useful if this was explained in the report.
- 16/127/3 Members **noted** the report.

## **16/128 Update of the Risk Management Framework**

16/128/1 Ian Watts presented the report which had also been discussed and agreed at the recent Audit & Risk Committee meeting.

16/128/2 After some discussion, Members **approved** the updated risk management framework.

## **16/129 Management Accounts – Q2**

16/129/1 Phil Newsam presented the financial results for the three months ending 30<sup>th</sup> September 2016. She said that, looking forward, rather unusually, we are not expecting to meet budget. That is because we are expecting the operating surplus to be around £529k less than budget due to unanticipated expenditure in relation to Brickfield Cottages. She stressed however, that this will not make any adverse material impact on any of our loan covenants.

16/129/2 There was some discussion around how budgets are set, particularly the budget for communal repairs for which a low budget was exceeded by a high spend.

16/129/3 The Chair said the Board expects officers to maintain budgets, particularly re: repairs budgets.

16/129/4 Ian Watts suggested that officers look at what can be done in terms of those properties where we get multiple repair requests. David said our new NPV tool will assist with this.

DC

16/129/5 The Board **noted** the report.

## **16/130 Pls**

16/130/1 Chris Melville presented the performance information for the three months ended 30<sup>th</sup> September 2016. She said it was mostly good news, particularly around the customer focused indicators, including trends on resident satisfaction. Good progress has also been made on development since the last report with several more schemes achieving planning consents.

16/130/2 Jeanette Kenyon said that in terms of programme delivery, the GLA has accepted the revised forecasts in relation to the expected delay on two schemes. Kerry Heath added that we are currently on track for January 2017 completion on both schemes. This should not be an issue as the GLA are looking to March 2017 for completion deadlines.

16/130/3 Members **noted** the report.

### **16/131 Working within the Board's Risk Appetite**

16/131/1 Phil Newsam presented the one-page risk report which provided an update across the several classes of risk agreed by the Board and the metrics used to measure these. She reminded Members that this report in this format is provided to Members on a quarterly basis and informs the Board of any areas where the Association is not operating within the metrics, together with the actions proposed to remedy this.

16/131/2 Referring to the risk around 'Development and Sales' Martin Large said that Members need to be mindful that later on the agenda there is a request to slightly increase the maximum investment in outright sales from £10.5m to £11m so the metric as set out in this report in terms of capital at risk may change.

16/131/3 Martin suggested that the 'Working within the Board's Risk Appetite' report be presented alongside the corporate risk report which is also on the agenda. This was agreed for future reports.

PN

16/131/4 Ian Watts said that the issue of consistency in chasing up rent arrears came up as part of the compliance checks carried out by our internal auditors He asked for some further assurance that the issues are being addressed. Chris reported that the RentSense software is now fully in place and all major functions have been implemented. There are some additional functions we could purchase, such as monitoring agreements, but we are currently constrained by the limitations of our existing housing management IT system so this will be reviewed again following the introduction of the new IT system.

16/131/5 She added that an audit of rent arrears is due to start on Monday, the outcome of which will be reported to the Audit & Risk Committee in February.

16/131/6 The Board **noted** the report.

### **16/132 Treasury Management report – Q2**

16/132/1 Debbie Bankole-Williams presented the report which summarised the Association's treasury management activities over the last three months and provided updated figures for September 2016.

16/132/2 Jeanette Kenyon asked whether the Brickfield Cottages expenditure is impacting the cash flow. Phil Newsam said the expenditure in relation to Brickfield Cottages was not slowing the cash flow down as yet. Also, we are not putting schemes into contracts unless we have the funds in place.

16/132/3 The Board **approved** the early repayment of the remaining £14.5k loan to Orchardbrook by paying the outstanding loan balance plus breakage costs of £4.1k.

### **16/133 New £30m rolling facility**

16/133/1 The Chairman took the chair.

#### **16/133/2 Notice and Quorum**

The Chairman reported that proper notice of the meeting had been given and noted that a quorum was present each in accordance with the Rules of the Association (**Rules**). Accordingly the Chairman declared the meeting open.

#### **16/133/3 Business of the Meeting and Background**

The Chairman reported that at a meeting of the Urgency Committee of the Association held on 28 November 2016, it was resolved that the Association enter into negotiations with Yorkshire Building Society in respect of a £30,000,000 revolving credit facility the Association proposes to enter into (the **Facility Agreement**).

The Chairman reported that the purpose of the meeting was to consider and if thought fit, approve a delegation to a committee in relation to the Facility Agreement.

The committee will comprise any three of the following, at least one of whom must be a board member or co-optee to the Board of the Association: Chair, Vice Chairs, Chair of Audit & Risk Committee and Chief Executive (the **Committee**).

16/133/4 **Documents**

The following document was produced to the meeting in draft form:

1. Terms of Reference for the Committee (the **Terms of Reference**).

The following documents which were not produced to the meeting but may need to be entered into by the Association were noted:

1. an officer's certificate to be given by a Signatory (as defined below) of the Association containing specimen signatures and giving various confirmations for the purposes of the Facility Agreement; and
2. the Facility Agreement;

(together with any further documents the Association may need to enter into in relation to the Facility Agreement, the **Documents**).

16/133/5 **Discussion**

The Board considered and noted the following:

1. Rule 29 of the Association's Rules provides, inter alia, that the Board may delegate any of its powers under written terms of reference to a committee;
2. the Board noted and considered the Terms of Reference;
3. it was resolved that certain powers of the Board be delegated in the manner set out in paragraph 6 to the Committee; and
4. the Committee will comprise any three selected from the following, at least one of whom must be a board member or co-optee to the Board of the Association: Chair, Vice Chairs, Chair of Audit & Risk Committee and Chief Executive in accordance with Rules D29 and D30 of the Rules of the Association.

16/133/6 **Resolutions**

After due and careful consideration, **it was resolved that:**

- the Association's power to enter into the Documents and any other documents required to be entered into in connection with the Facility Agreement be fully delegated to the Committee for the purposes of agreeing the terms and conditions thereof, the Terms of Reference be approved and, without prejudice to the foregoing, the Committee shall have the power on behalf of the Association to:
  1. consider and approve the terms and conditions of the Documents;
  2. approve the execution and delivery of each of the Documents and the performance of the Association's obligations under each Document is approved;
  3. appoint any one or more members of the Board or the Committee to agree the final terms of the Documents and any other letter, deed, certificate or document relating thereto with such amendments as such member or members of the Board or Committee shall deem necessary or appropriate;
  4. approve the creation of any security interests (if required) including the creation of any fixed charges and charges by the Association and the terms and conditions of such security interests to be given as security;
  5. authorise in accordance with Rule D32 , the expenditure in connection with the authority and responsibilities of the Committee, including legal costs and fees payable pursuant to the proposed Facility Agreement;
  6. appoint any two persons selected from the members of the Committee and the following officers: Chief Executive, Finance & IT Director, Operations Director, Development and Regeneration Director and Property Services Director (each a **Signatory**) on

behalf of the Association to sign or witness the affixation of the Association's seal pursuant to the rules on all Documents and other documents relating to the Documents which are to be executed as a deed; and

7. authorise any Signatory to execute under hand the Documents (which are not deeds) and to authorise any Signatory to agree and execute any related documents, notices, letters, certificates or documentation and to perform all matters, acts and things which such persons in their absolute discretion deem to be necessary or desirable in connection or in relation to all matters delegated to the Committee under these resolutions.

### **16/134 Risk Appetite for sales and update of the Investment Policy**

- 16/134/1 Debbie Bankole-Williams presented the report which set out a revised risk appetite for Members to consider. The paper also updated the Investment Policy, recommending a modest increase in the maximum investment in outright sales from £10.5m to £11m at any one time.
- 16/134/2 Mark Allan asked whether the Business Plan needs to be revised in light of the Autumn Statement Voluntary Right to Buy revised timescales. Phil said the Plan will be remodelled for the Q3 January Treasury report.
- 16/134/3 Dermot Finn said he would like some reassurance that we will not be revising the risk appetite "too often". Phil responded by saying that we would probably want to review the Board's risk appetite when things in the business change.
- 16/134/4 After further discussion, the Board revised its appetite for sales risk from £5.7m to £8m, reflecting a level that would take the Association on 50% of the way from the current financial plan to breaking an interest cover covenant in the worst year of the Plan.
- 16/134/5 The Board also **approved** the updated Investment Policy, including the increase in the maximum investment to £11m.

PN

## **16/135 Corporate Plan update**

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| 16/135/1 | Tom McCormack a report which provided Members with a review of performance to date, updating on progress against each objective, target and initiative. He said this is the second of four reports he will present to Members. Another report to the January Board will “flesh out” the objectives, followed by another report in March requesting approval for the 2017-2020 Corporate Plan, including more detail on targets/initiatives to support the delivery of the objectives. | TMc |
| 16/135/2 | Tom said he had attended the November meeting of the Residents’ Forum where he had received helpful feedback on what residents’ thought should be in the Plan. This will be incorporated in the next two reports.   | TMc |
| 16/135/3 | Mark Allan suggested ‘tweaking’ the Plan in the context of the Autumn Statement and the Government’s promise of more money for ‘affordable’ housing.  |     |
| 16/135/4 | Ian Watts said the Value for Money Strategy needs to be more focused in the Plan and also in the revised Asset Management Strategy.   |     |
| 16/135/5 | Tom said most of the VfM elements will be in the section entitled ‘To change the ways of working to work SMARTER’.  | TMc |
| 16/135/6 | After further discussion, the Board <b>agreed</b> that the Mission Statement and the Values of the organisation should remain the same as in the existing Corporate Plan, and that the draft section on “The context for further changes” addresses the key areas and should be developed further for final approval in March.  | TMc |
| 16/135/7 | Members <b>noted</b> the progress achieved against the current Corporate Plan objectives.   |     |

## **16/136 Brickfield Cottages, Plumstead – Ground Collapse**

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| 16/136/1 | Kerry Heath presented a report which provided Members with an update on the ground collapse incident at the Brickfield Cottages development. She said an independent expert has been engaged to make an assessment of liability |  |
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- and his report is expected by this Friday and will inform what we do next in terms of potential recovery of our costs.
- 16/136/2 The Chair asked that both he and Ian Watts as Chair of Audit & Risk are sent the report when received. KH
- 16/136/3 Ian Watts said he is being sent the minutes from the weekly meetings that are being held internally.
- 16/136/4 Ruth Chambers asked what the process was for deciding whether we will pursue litigation. Kerry said Directors will discuss before asking the Board for a final decision, most likely in March. KH
- 16/136/5 The Chair said both he and Ian Wats will carefully review the report from the independent expert before deciding on the next steps.
- 16/136/6 Dermot Finn said there was a lack of clarity in terms of the decant process. He said it was not clear how many properties will be needed.
- Tom said there is an internal Project Team meeting every week and we have already secured alternative accommodation for nine of the 40 families; some in private rented accommodation and others within our own housing stock. Greenwich Council has offered to fund 30% of the cost of purchasing 20 units, and L&Q have offered a further 7-10 properties.
- 16/136/7 The Chair said we need to ask for clarity from the lawyers as to whether we can get our insurance cover for subsidence reinstated in the future. KH
- 16/136/8 Tom said he has shared information fully with the regulator. The Chair added that Members recognised that lots of good work is being done to get the families re-housed so that further investigations can be undertaken.
- 16/136/9 Members **noted** the report.
- 16/137 *Brickfield Cottages, Plumstead - Proposal to purchase street properties***
- 16/137/1 Kerry Heath explained that following the decision to decant the Brickfield Cottages estate, we need to find suitable temporary housing solutions for up to 40 households and

we have already started to look and identify suitable properties. The plan is that after purchase, will be retaining these 20 properties in our stock as permanent accommodation. They will be used temporarily by Brickfield Cottages residents and then the properties will be let via Greenwich Council nominations.

- 16/137/2 Ranna McArdle said she was concerned that the properties might cost a lot to maintain. She asked whether we would be able to review whether or not to keep them after say five or 10 years.

Kerry said that each property will be appraised and allowances increased accordingly, if necessary, in the financial appraisal and the decision as to whether or not to purchase will be taken on a property by property basis.

KH

- 16/137/3 After further discussion, the Board **approved** the recommendation to purchase 20 street properties with local authority grant funding to assist with the temporary decant activity at Brickfield Cottages, and then to convert to permanent affordable rent. The maximum subsidy input (from operating surplus) will be £1,307,057 (or £65,353 per unit).

### **16/138 Assumptions and guidelines for the 2017/18 budget**

- 16/138/1 Debbie Bankole-Williams presented the report which advised on the inflation and interest assumptions to be used in producing the 2017/18 budget. She drew Members' attention to Section 3 of the guidelines which set out the characteristics of a successful budget.

- 16/138/2 After some discussion, Members **approved** the budget assumptions and the guidelines as set out in the appendix to the report.

### **16/139 Changes to Corporate Risks**

- 16/139/1 Members discussed the report on the most serious gross and net risks recorded on the revised Corporate Risk Map and **agreed** that the risks have been reasonably identified and that the risk management strategies in place are appropriate.

**16/140 *Changes to Standing Orders and Delegated Authority and schedule of delegated authority***

16/140/1 Phil Newsam presented a report which set out the required changes to the Standing Orders and Delegated Authority (SODA) document. She explained that most of the changes are because of changes to the structure in the business.

16/140/2 Members **approved** the changes as summarised in the accompanying table and agreed for the Chair to sign the revised document.

**16/141 *Draft minutes of the Audit & Risk Committee meeting of 8<sup>th</sup> November 2016***

16/141/1 Ian Watts presented the draft Audit & Risk Committee minutes, confirming that he has seen and agreed the draft. He said a key point of discussion at the meeting had been the number of internal audit recommendations that were still outstanding past their target date. He said this could be because some target dates were optimistic.

16/141/2 Tom McCormack said progress has been made already in completing some of the outstanding recommendations, following a renewed focus at director level, and a further update will be provided at the February Audit & Risk Committee.

PN

16/141/3 Members **noted** the draft minutes.

**16/142 *Minutes of Residents' meetings***

16/142/1 Members **noted** the minutes of the Performance Review Group meeting of 14<sup>th</sup> July, the Repairs Scrutiny Group meeting of 20<sup>th</sup> July and the Residents' Forum meeting of 7<sup>th</sup> September 2016.

**16/143 *Use of the Company Seal***

16/143/1 Members **noted** the use of the company Seal since its last meeting.

**16/144 Starters & Leavers**

16/144/1 The Board **noted** the report.

**16/145 Feedback from Board Members**

16/145/1 There was nothing to report.

**16/146 Any Other Business**

**16/146/1 HCA In-Depth Assessment (IDA)**

Tom McCormack reported that the HCA will be carrying out an In-Depth Assessment of Hexagon on 30<sup>th</sup>/31<sup>st</sup> January. Members of the assessment team will also attend the 31<sup>st</sup> January Board meeting.

He explained that we received a document list last Thursday, of documents we need to forward to the HCA by 6<sup>th</sup> December. A project team has been established to lead on preparing for the assessment.

We already know the HCA will want to interview the Chair and the Chair of the Audit & Risk Committee, and we will await further information closer to the IDA.

16/146/2 Members thanked Residents' Forum observers Jacqui Fergus and Shona Muwanga for attending the meeting and they, together with the Directors, left the meeting.

**16/146/3 Confidential discussion**

16/146/9 There being no other business, the Chair declared the meeting closed at 7:05pm.

Minutes of the Board Meeting held on Tuesday, 29<sup>th</sup> November 2016.

Signed ..... (Chair)

Date .....