

# Hexagon Housing Association Ltd

## Minutes of the Board Meeting held on Tuesday, 31<sup>st</sup> January 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, and Ian Watts.

**In attendance:** David Collick, Kerry Heath, Jill May (HCA), Barbara McLellan (HCA), Chris Melville, Phil Newsam, Valerie Oldfield (Residents' Forum Acting Chair), and Val Sharpe (Minutes).

**Apologies:** Rosalind Watson

		Action
<b>17/01</b>	Introductions were made all around.	
<b>17/02</b>	<b><i>Declarations of Interest</i></b>	
17/02/1	There were no declarations of interest.	
<b>17/03</b>	<b><i>Minutes of the meeting held on 29<sup>th</sup> November 2016</i></b>	
17/03/1	The Minutes were <b><u>agreed</u></b> .	
17/03/2	The confidential extract from the Minutes were <b><u>agreed</u></b> .	
<b>17/04</b>	<b><i>Matters arising from the Minutes</i></b>	
17/04/1	<b>16/134/2 – Risk appetite for sales and update of the Investment Policy</b> – Phil Newsam confirmed that the Business Plan has been updated in light of the Autumn Statement and the update reported in the Q3 Treasury report.	
17/04/2	<b>16/136 – Brickfield Cottages, Plumstead – Ground collapse</b> – It was confirmed that the Chair and Chair of the Audit & Risk Committee had received copies of the report from the independent expert who has been engaged to assess our likely success in pursuing a claim against the contractors.	

17/04/3 **16/141/2 – Draft minutes of the Audit & Risk Committee meeting of 8<sup>th</sup> November 2016 – Internal recommendations not yet completed** – Phil reported that good progress has been made since the meeting as the list of 13 outstanding recommendations not yet done was now down to 7, 3 of which are housekeeping recommendations.

17/04/4 **16/123/2 – Who does Hexagon house?** - Members noted the information provided by Chris Melville which gave details of the profile of residents whom Hexagon houses. This information had been previously circulated to Board Members before the September Away-day as background information.

Debbie Bankole-Williams said it would be useful for Members to have this information to hand when making decisions. Chris said the information had been used in the report of the Welfare Reform. She said more complete information on our residents' profile will be available with the new IT system.

### **17/05 Chief Executive's report**

17/05/1 Tom McCormack presented his report which provided an update across a range of issues including:

- The Autumn Statement
- Homes for Londoners: Affordable Homes Programme 2016/21
- Regulating the Standards
- Enquiry from the HCA re: Brickfields Cottages
- Rent compliance update – the last repayment is still outstanding. Chris Melville will email Members when the payment has been made.
- GLA Audit
- Change of Auditors
- Mark to Market movements on our interest rate SWAPs
- Repairs Update
- NHF Briefing: Exiting the EU: Updates, Risks and Opportunities
- Update on Voluntary Right to Buy

CM

17/05/2 Change of Auditors – Ian Watts reported on the process of selecting the new auditors and confirmed the Audit & Risk Committee’s recommendation to appoint KPMG as the new external auditors following the tender exercise.

The Board **approved** the recommendation to appoint KPMG as external auditors.

**17/06 Development Strategy 2017/21 and GLA Bids**

17/06/1 Jeanette Kenyon presented the first draft of the 2017/21 Development Strategy and the report on the GLA bidding prospectus 2016/21. She said the key risks for our next development programme will be around managing our outright sales programme as the new programme would be reliant on developing housing for sale and selling our shared ownership product.

17/06/2 Jeanette said that the draft programme consisted of 57 homes for London Affordable Rent, 137 homes for London Shared Ownership and 86 homes for Outright Sale.

17/06/3 Martin Large said the report should have set out clearly that in order to produce this number of units, the £11m facility for outright sale will need to be ‘recycled’ twice. This will be quite challenging.

17/06/4 Debbie Bankole-Williams queried whether this number of outright sale units was realistic.

17/06/5 Ian Mansell said he was concerned about cashflow and would like to see the cashflow just for development. He said there seemed to be lots of assumptions around what can be achieved, e.g. the rate at which we will be selling the shared ownership units.

17/06/6 Kerry Heath emphasised that this report contained the initial financial modelling, which in fact has already changed as the financial model has been updated. She said she accepts that the move to develop more outright sale units will be challenging and we may need to look at the resources needed to deliver the programme.

17/06/7 Tom McCormack said it is difficult to compare this proposed programme with the programme for 2015/18. The 2016/21 programme is a longer term programme, so it’s difficult to compare it on a like for like basis with the 2015/18 programme.

- 17/06/8 The Chair said he felt Members needed more time to make a decision as lots of big issues were being raised. He suggested that a separate meeting be convened to discuss the proposed development programme.
- 17/06/9 Valerie Oldfield said she also recognised that the proposed programme will be quite challenging as the organisation will be developing more units for sale to support affordable rent units.
- 17/06/10 The Chair said Members will need more time to discuss/decide whether this is the right strategy, whether we can manage the risks, and whether we are operationally capable of delivering such a programme.
- 17/06/11 Members agreed to hold a separate meeting to discuss the GLA Bidding Prospectus and Development Strategy. It was suggested to hold this meeting on the same day as the March Board meeting. This was agreed. All
- 17/07 Strategic matters arising from the Annual Review of Development & New Business**
- 17/07/1 Jeanette Kenyon presented the report which highlighted the strategic issues arising from the work of the Development & New Business teams.
- 17/07/2 After some discussion, Members approved the recommendations to:
- Continue to keep the GLA informed of progress of the remaining three sites that are in danger of missing the deadline of March 2017 for start on site;
  - Assess viability of the three sites under the 2018/21 programme, if not delivered;
  - Further investigate the potential for Hexagon to deliver a 'precision manufactured' scheme as a pilot;
  - Pursue alternative site finding methods to facilitate direct purchases from vendors;
  - Complete purchase of 20 street properties in as short a time as possible to assist with decanting Brickfield Cottages;
  - Continue to work with Peter Brett Associates to procure the further investigations and works;
  - Work with solicitors Devonshires to pursue recovery of costs from the contractor.

17/07/3 As the discussion on the GLA Bid and the Strategy will resume at a separate meeting, Members deferred decisions on the following recommendations to:

- Recalculate capital at risk once the Business Plan is updated to ensure the Board's risk appetite is not breached;
- Increase focus on suitable sites for outright sale to support the 2018/21 development programme;
- Keep abreast of market changes, and consider sufficient risk mitigation measures and viable exit strategies;
- Review the risk management approach to shared ownership to ensure it is appropriate;
- Review capital at risk measures once the Business Plan is updated;
- Compile a final bid which is affordable for the Association.

17/07/4 Ruth Chambers asked whether it would be possible to embed development within the sustainability strategy instead of having them in separate places. It was **agreed** that this could be done. KH/DC

### **17/08 Asset Management Strategy update**

17/08/1 Ian Watts presented the update on progress against the actions set out in the current strategy and explained that a new Asset Management Strategy is being developed and will be presented to the March Board.

17/08/2 Referring to the proposed purchase of a new financial software tool, NPV, Martin Large asked when the benefits of using this tool would be realised.

David Collick said we will need to assess its impact for a couple of months before reporting back on what works well and what does not. Officers would therefore be expecting to be able to report back in the summer.

17/08/3 After further discussion, the Board **approved**:

- That, within the new Asset Management Strategy, the target will be to have survey and asset information for 99.5% of all properties, with 80% less than 5 years old;

- The approach to active asset management within the new strategy;
- The incorporation of Greening the Stock into the new Asset Management Strategy;
- A SAP '65 Ready' category for properties. Agreeing to include the development of a strategy to achieve 65 SAP, subject to detailed financial assessment and business plan viability, with the Asset Management Strategy.

17/08/4 Members also **noted** the progress of actions from the previous strategy.

### **17/09 Treasury Management Report – Q3**

17/09/1 Debbie Bankole-Williams presented the paper which provided an update on treasury management activities over the last three months. She said the good news is that the documentation for the Yorkshire Building Society loan has been received, but is not quite ready to be received by the Board. An Urgency Sub-Committee meeting will therefore be convened before the next meeting to approve the loan.

17/09/2 Debbie also reported that the THFC fixed loan of £1.5m was repaid as scheduled and the related property security released from charge.

17/09/3 As the timescale for the extension of the Voluntary Right to Buy to housing associations is now uncertain, all VRTB sales and replacement schemes have been removed from the business plan.

17/09/4 Martin Large asked that the table showing the main treasury risks includes the previous one or two quarter's risk assessment. This was **agreed**.

PN

17/09/5 The Board **noted** the report.

### **17/10 Management Accounts – Q3**

17/10/1 Debbie Bankole-Williams introduced the financial results for the 9 months to 31<sup>st</sup> December 2016. The year to date surplus (£5,540k) is ahead of budget (£4,767k). Responsive maintenance is the area with the largest negative variance, being £260k above budget. Members noted the detailed explanation in the appendix.

17/10/2 Phil Newsam said that since the Quarter 2 report, the costs in relation to Brickfield Cottages have started to appear on the actual spend line.

17/10/3 Ian Watts said he found the graphs in the appendix very useful in visually depicting the percentage of variation orders by contractor.

17/10/4 The Board **noted** the report.

### **17/11 Performance Indicators – Q3**

17/11/1 Mark Allan presented the report which summarised the performance on the Association's key PIs for Q3 2016/17. He said there were some data recording issues in relation to the resident focused PIs.

17/11/2 David Collick said there are over 2,000 jobs in the backlog of jobs by P&R and so we are not able to produce results such as 'end to end' time, etc.

17/11/3 Tom McCormack said there are some indicators that have deteriorated in terms of performance that were not impacted by the interface issue and more work will need to be done in these areas.

17/11/4 Members **noted** the report which showed that of the 20 indicators, 13 had improved, 4 had deteriorated and 3 had remained stable.

### **17/12 Working within the Board's Risk Appetite**

17/12/1 Ian Watts presented the report for Q3 and said he was happy with the remedial actions proposed by officers. He said he thought the report provided a good tool to enable the Board to focus on the four or five areas they wish to focus on.

17/12/2 The Board **noted** the report.

## **17/13 2017-2020 Corporate Plan**

- 17/13/1 Tom McCormack presented the third of four Board reports leading to the production of the new Corporate Plan. He said that the draft has had input from residents via the Residents' Forum.
- 17/13/2 Valerie Oldfield said the majority of Forum members are signed up to the principles in the Corporate Plan and welcomed the opportunity to provide input early on in the process.
- 17/13/3 Referring to the Section IV – ‘Cross-cutting work/activities – a) To implement our Equality & Diversity Policy’, Ruth Chambers suggested that this section be “fleshed out” so that the target is more ambitious. TMc
- 17/13/4 Jeanette Kenyon suggested “beefing up” Section ‘O’ – ‘To ensure all our communications with leaseholders comply with all statutory requirements and best practice’ – in light of the proposed increase in the number of leaseholders. TMc
- 17/13/5 After further discussion, the Board **approved** the Corporate Plan Objectives and noted that the final version will go to the March Board and contain the targets and initiatives which complement the objectives.

## **17/14 Welfare Reform Update**

- 17/14/1 Ian Mansell presented the report which updated the Board on the changes proposed or made to welfare benefits in the past 12 months, focusing on the ones which affect Hexagon and our residents' ability to pay their rent.
- 17/14/2 Members were also presented with the draft response to the ‘Funding for Supported Housing’ consultation paper. Ruth Chambers suggested reviewing the overall comments section of the response to make them more “impactful” without losing the meaning. She said there were too many long sentences. CM
- 17/14/3 The Board **approved** the actions described in Sections 4.2, 4.3, 4.4, 4.5, 4.6, 5.3, and 5.4 to respond to the changes.

## **17/15 Brickfield Cottages – update**

- 17/15/1 Kerry Heath provided an update on the ground collapse at Brickfield Cottages in Plumstead. She said that the focus now is on the decanting of all the residents so that more extensive ground investigations can take place.
- 17/15/2 Kerry said the potential legal case against the contractors is looking very positive following advice we have received from our solicitors and independent experts commissioned by our solicitors.
- 17/15/3 In terms of the decanting process, we have now purchased 14 street properties with 6 already allocated to Brickfield Cottages households. We have had no negative press to date and no negative feedback from residents.
- 17/15/4 There is a tender exercise being undertaken for the 'site-wide' investigation works and a further update will be provided once the tenders are received (February/March).
- 17/15/5 Ian Watts said it was really good to see the barrister's opinion on the strong strength of our case.
- 17/15/6 Martin Large said he found the report really helpful and recognised the added workload for the Development and New Business teams this was causing. He asked whether the contractors, Skillcrown, will have the financial capacity to settle our potential claim against them.
- Kerry said they have a £10m insurance cover and it is expected that this will be sufficient to cover/recover our costs. She also reminded that Skillcrown are partners with us on another of our schemes.
- 17/15/7 The Board **noted** the report and **agreed** that the Chair and the Chair of Audit & Risk Committee will continue to be copied in on the legal aspect of the case.

## **17/16 Governance Review – Approval of consultant's brief**

- 17/16/1 Tom McCormack presented his report which recommended that proposals be invited from consultancies Campbell Tickell and Altair to carry out a review of the Association's governance.

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|--------------|---|-----|
| 17/16/2      | Members reviewed the draft brief and the Chair suggested including that the Board wish to see some clear outcomes and an action plan of recommended changes.  |     |
| 17/16/3      | Debbie Bankole-Williams suggested sharing the review of governance carried out at the last away-day by Dr Fiona Underwood of Altair. This was agreed.   | TMc |
| 17/16/4      | Ruth Chambers suggested asking the consultants to look at the areas of recruitment, induction and training.   | TMc |
| 17/16/5      | Martin Large suggested making the need for the Board to balance 'strategic' versus 'operational' clearer.   | TMc |
| 17/16/6      | Ian Watts suggested that the consultants also look at the effectiveness of the Audit & Risk Committee. This was agreed.   | TMc |
| 17/16/7      | The Board <b>agreed</b> the recommendation to invite Campbell Tickell and Altair to provide proposals, including costs, to carry out a review of Hexagon's governance.  |     |
| <b>17/17</b> | <b><i>Approval of the Residents' Forum Constitution</i></b>   |     |
| 17/17/1      | Chris Melville presented Version 12 of the draft Residents' Forum constitution and explained that since the Board last saw a draft document, the list of aims has reduced from 17 to 8. She confirmed that the current version had been approved by the Forum at its January meeting. |     |
| 17/17/2      | Valerie Oldfield said drawing up the new Constitution had been a long, but necessary, process. The result is a very thorough document which is supplemented by a Code of Conduct. She said that an "easy read" version has also been produced and showed a copy of this to Members.   |     |
| 17/17/3      | After some discussion, the Board <b>approved</b> the Residents' Forum Constitution.   |     |
| <b>17/18</b> | <b><i>Revisions to the Standing Orders and Delegated Authorities (SODA)</i></b>   |     |
| 17/18/1      | The Board <b>approved</b> the following changes to the SODA document:   |     |

- Senior Development, Senior New Business Officers and Project Managers can authorise payments to contractors and invoices relating to schemes up to £10,000;
- Planned Project Surveyors have the authority to place orders and authorise invoices up to £10,000;
- Senior IT Support Analysts have the authority to place orders and authorise invoices up to £2,000;
- Senior Sales Executive has the authority to place orders and authorise invoices up to £10,000; and
- The PA to the Chief Executive has the authority to place orders and authorise invoices up to the value of £5,000.

### **17/19 Brockley Tenants' Co-op – update**

17/19/1 Chris Melville presented a report to Members that provided an update on the position with regards to BTC's delivery on its action plan following independent reviews into governance and probity concerns at the Co-op. She reported that good progress has been made against the action plan and that we will be checking their Allocations Policy once completed.

17/19/2 The Board **noted** the update.

### **17/20 Draft Minutes of the Horniman Board meeting held 29<sup>th</sup> November 2016**

17/20/1 Ian Mansell presented the draft minutes of the last Horniman Board meeting and reported that the outright sale scheme, Biggin Hill, is progressing well.

17/20/2 Members **noted** the draft minutes.

### **17/21 Minutes of Residents' meetings**

17/21/1 The Board noted the minutes of Residents' Forum meetings held 2<sup>nd</sup> November 2016 and 11<sup>th</sup> January 2017. Members also noted the minutes of the Performance Review Group meeting held 3<sup>rd</sup> November and the Repairs Group meetings of 18<sup>th</sup> October and 16<sup>th</sup> November.

17/21/2 Members **noted** there were no recommendations requiring Board decision.

**17/22 Use of the Company Seal**

17/22/1 Members **noted** the use of the company Seal since its last meeting.

**17/23 Starters & Leavers**

17/23/1 The Board **noted** the report.

**17/24 Stage 3 Complaint hearings**

17/24/1 David Collick reported that a Stage 3 hearing was held last week and the outcome letter and the management response will be reported to the next meeting.

**17/25 Any Other Business**

17/25/1 There was no other business.

17/25/2 There being no other business, the Chair declared the meeting closed at 6:32pm.

Minutes of the Board Meeting held on Tuesday, 31<sup>st</sup> January 2017.

Signed ..... (Chair)

Date .....