# **Hexagon Housing Association Ltd**

# **Board of Management**

**29th November 2016**

###### Agenda Item 3

**Chief Executive’s Report**

**Report by the Chief Executive**

|  |  |
| --- | --- |
| ***1.0*** | ***Summary*** |
| 1.1 | This report provides an update across a range of issues and makes six recommendations. |
| ***2.0*** | ***Recommendations*** |
| 2.1 | That the Board approve the action plan arising from the September Away-Day as outlined in Section 3. |
| 2.2 | That the Board makes two appointments to the Lead Board Member system, as outlined in Section 4. |
| 2.3 | That the Board appoint a member to serve on the Audit & Risk Committee, as outlined in Section 5. |
| 2.4 | That the Board consider the recommendations in Section 8 aimed at ensuring Resident meetings minutes are reported to the Board in a logical and timely fashion to ensure the smooth running of the respective Resident bodies and the Board. |
| 2.5 | That Board Members indicate whether they would like to attend the NHF Board Members Conference as outlined in Section 12. |
| 2.6 | That the Board notes the remainder of the report. |
| ***3.0*** | ***Board Members Away-Day*** |
|  | I attach under **Appendix A**, a document from Fiona Underwood of Altair summarising the results of the Board self-assessment.  **Action Plan**  Utilising those slides by way of background, together with my own notes from the away-day, I have drafted an action plan which I attach in **Appendix B**, which I am putting forward for comment and approval. |
| ***4.0*** | ***Lead Board Member System*** |
|  | Hexagon has a Lead Board Member system. In summary, the role of the Lead Board Member is to lead Board discussions on the topic for which they have lead board member responsibility. To enable them to do this job, they liaise with the relevant executive officer outside the board meeting and ensure that the Board report reflects their input as necessary prior to the Board meeting. A document prepared by the Chair, which summaries the role is attached under **Appendix C.**  The current Lead Board Members are as follows:  **Lead Board Area Lead Support**  Audit Committee & Risk Ian Watts Debbie  Community Investment Rosalind Watson Dermot  Development Jeanette Kenyon Ian W.  Financial Mgt/Treasury Debbie Bankole-Williams  Housing Management Ian Mansell  Human Resources Ruth Chambers Rosalind  IT Dermot Finn Ian M.  Performance Management (Vacant post) Martin  Repairs, Asset Management Ian Watts  Resident Involvement (Vacant post) Jeanette  Value for Money Martin Large Ruth  My understanding is that following discussions since the last Board meeting, Ranna McArdle has indicated her willingness to take up the Lead Board Member role for Resident Involvement and Mark Allan has indicated a willingness to take on the Lead Board Member role for Performance Management.  I would therefore **RECOMMEND** to the Board that these vacancies be filled in the first instance, which should ensure that we have a lead board member for each of the areas identified. |
| ***5.0*** | ***Audit & Risk Committee*** |
|  | Following Kellie Elmes’ departure from the Board, we currently have a vacancy for an Audit & Risk Committee position.  There is no particular requirement in our Terms of Reference to fill the vacancy with a Resident Board Member, but I am aware from a brief discussion with the Audit & Risk Committee Chair, that he would prefer to do so.  The Board is therefore asked to appoint a further member to the Audit & Risk Committee.  To assist with that discussion, I attach under **Appendix D**, a copy of the Audit & Risk Committee Terms of Reference which describes the role of the committee. |
| ***6.0*** | ***Rent compliance*** |
|  | At the last meeting, I provided Members with a copy of a letter from the Chair sent to the HCA on Friday, 5th August. Since that time, the HCA has replied with a request for further information which I have now provided. This correspondence is now attached under **Appendix E**.  We are very keen to draw a line underneath this matter and with that in mind, we have repaid Southwark Council the Housing Benefit repayments for our Direct Managed schemes as they are the only LA to respond. We intend to repay the others if we do not hear back shortly.  Chris Melville is leading on the liaison with the agencies which is described in the response to the HCA and it is clear that this will take a little while longer to resolve, but we are determined to do so as quickly as possible. |
| ***7.0*** | ***Brickfield Cottages, Plumstead SE18*** |
|  | At the last meeting, I provided an update on the Brickfield Cottages situation and the Development & Regeneration Director provided a further report.  Since that time, I have written to the HCA to ensure that they are fully informed and this is attached under **Appendix F**. I have addressed the two key areas that the regulator would be concerned about and those include the impact on Hexagon’s finances and the role that the Board has played and will continue to play in engaging with this unexpected event.  I have since had a further letter from the HCA dated 15th November to which I speedily replied. Both are also attached under **Appendix F.**  This is for information only, but I would also draw Members’ attention to a further update from the Development & Regeneration Director elsewhere on this agenda, as well as a proposal to work closely with Greenwich Council on the purchase of 20 street properties to address the challenging situation of finding alternative accommodation for the current households.  I have also discussed this matter with the Chair and we have agreed that the key Board issues are:   1. Whether the Association commissioned the development correctly; 2. In that context, whether we can pursue legal liability with other parties (i.e. RSK/Skillcrown); 3. Assessing the impact on Hexagon’s finances, and; 4. Keeping the Board informed of all of these issues as this matter progresses. |
| ***8.0*** | ***Minutes from the Repairs Group, the Performance Review Group, and the Residents’ Forum*** |
|  | We have recently had a discussion at the Directors’ Group which has concluded that we have a lack of clarity about which resident meeting minutes go to the Board (Repairs Group, Performance Review Group, Residents’ Forum), and we have therefore agreed a format for officers providing a cover report to assist the Board.  In summary, we are **recommending** that all three sets of minutes go to the Board, but that all minutes need to be accompanied by a cover report which will be co-ordinated by the Resident Involvement Manager. Where comment is required, David Collick, Property Services Director, will take lead responsibility for issues raised relating to the Repairs Group, Chris Melville, Operations Director, for the Performance Review Group, and Brian Hughes, Resident Involvement Manager, for the Residents’ Forum. The key point is that the Board need to be alerted to whether any specific items are being brought to their attention for comment or decision.  We are also aware that there is a difference of approach being taken by the chairs of the respective groups. The Chair of the Repairs Group, for example, is keen that the minutes are sent to the Board in draft form following her initial approval so that there is no undue delay on matters being brought to the Board’s attention. Directors think this is a sensible approach.  Against that, we are also mindful that last year, the Board asked that the Residents’ Forum minutes not be presented to the Board unless they had been approved by a subsequent Residents’ Forum meeting. In practice very few minutes have gone to the Board in the last year, so this has not happened consistently.  Looking ahead, however, given that the Residents’ Forum will meet quarterly, and given that we will be looking to them for feedback on development of strategy and policy, this way of working will build in lengthy and therefore unhelpful delays to the process of developing strategy and policy in the organisation.  With that in mind, we think it would be useful for the Board to re-visit this and try and establish a consistent way of working across all three resident involvement bodies so that swift and efficient progress can be made and that the Board can respond effectively and efficiently. The officers are therefore **recommending** that, provided the Chair has approved draft minutes for Board submission, these should be provided to the Board as a draft only, where a timely response to a policy/strategy consultation is required by the Board. |
| ***9.0*** | ***Voluntary Right to Buy (VRTB)*** |
|  | It has now been 14 months since the National Housing Federation consulted its members on the principle of a Voluntary Right to Buy arrangement rather than a forced legislative Right to Buy. In that context, I thought it would be useful to provide a brief update.  My understanding is that the framework needs to be reviewed and approved by ministers. The NHF reported over the summer that “this might take some time”. In the context of new ministerial appointments, etc, my current understanding is that the NHF is still awaiting Government confirmation of key issues such as tenant eligibility, that will affect the final shape of the scheme, and as such, there is currently no indication of the start date of the scheme.  I am also aware from recent statements made by the Housing Minister in respect of the timescale of the sale of high value assets by Local Authorities to fund the VRTB discounts, that there is currently no clear timescale for that to proceed.    We are very keen to report to the Board on how a scheme might work and whether it meets our understanding of the offer, namely that Associations would be able to be fully compensated to provide a like for like replacement. However, without any further detail on the scheme we are unable to do so. I will of course keep the Board fully informed as this progresses. |
| ***10.0*** | ***Autumn Statement 2016*** |
|  | At the time of writing this report, the Autumn Statement has not yet occurred. I will, however, provide a brief verbal update should anything be announced that is particularly material to housing associations.  Current indications are that the Chancellor might be considering further investment in housing, possibly relaxing some of the constraints imposed by the previous Government of not providing any additional subsidy for rented housing.  We are also aware that the National Housing Federation has received some national press coverage about their offer to Government to development a new product called ‘Buy as You Go’.  We understand that the idea will be to use Government grant to develop a new scheme which will allow some renters to rent at a subsidised rent with the assistance of Government subsidy, but in a way in which their rental payments are used to build an equity stake in the property over time. We do not currently have any details on the new proposal, nor have we evaluated its feasibility, but we will obviously update the Board if and when this materialises. |
| ***11.0*** | ***Mark to Market movements on our Interest Rate SWAPs*** |
|  | At the last meeting, I reported that we had a total amount on deposit with Barclays and Lloyds of £3.74m in respect of cash calls from our two counterparties.  I also reported that we were in the process of replacing all this cash on deposit with property security and that we anticipated that the cash would be returned once the property security charging was completed.  I am pleased to report that we currently have no money on deposit with either of the two counterparties and all £3.74m has been returned to us.  The process of charging additional property security to Lloyds (which was a switch from the Lloyds loan to the swap) has now been completed. I am informed that the Barclays security charging exercise is close to completion, but we are awaiting approval from one of the parties with an interest in one of our development schemes as well as an updated search. We hope that this will be completed shortly. |
| ***12.0*** | ***NHF Board Members Conference*** |
|  | I attach under **Appendix G**, an agenda for the National Housing Federation’s Board Members Conference to be held in London on 3rd/4th February 2017.  We normally like to send one or two Board Members to the conference to report back to Members on emerging trends, etc, so I would be grateful that if Members are interested in attending, that they contact either Val Sharpe or myself, so that we can make the necessary arrangements. |
|  |  |