Confidential Minutes of a meeting of the Board of Broadland Housing Association held on 20 June 2018 in the Board Room, Carrow Road, Norwich

The Senior Housing Manager gave a presentation on Tenancy Engagement which was debated and noted.

PRESENT:

Members:	Officers & Staff
Jon Barber	Ivan Johnson – Executive Housing Director
Chris Ewbank - Chair	Adam Clark – Assistant Housing Director
Simon Hibberd	Julian Foster – Executive Finance Director
Michael Newey	Louise Archer – Executive Property Director
Helen Skoyles	Andrew Savage – Executive Development Director
Gavin Tempest	Sarah Wyatt – Company Secretary
Siobhan Trice	Linda Moss (minutes)

ACTION

1 CHAIR

The Chair welcomed everyone to the meeting.

2 APOLOGIES FOR ABSENCE

2.1 Apologies were received from Mrs Slack. It was **noted** that Mrs Slack is taking an extended leave of absence until June 2018. Apologies were also received from Mrs England and Mr Slyfield.

2.2 The Chair reported that a quorum was present, and that due notice of the meeting had been properly given to all Members of the Board.

ACTION

3 DECLARATIONS OF INTEREST

3.1 Paul Slyfield had informed the Chair that he had an interest in Item 5.5 Joint Working with Norwich Credit Union.

4 MINUTES OF THE PREVIOUS BOARD MEETING

4.1 APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD ON 25 APRIL 2018

The minutes of the meeting held on 25 April 2018 were taken as read, **agreed** as a true and correct record and signed by the Chair.

4.2 Approved Group Actions from the meeting of 25 April 2018

The Approved Group Actions were **noted**.

5 ITEMS FOR APPROVAL

5.1 Management Accounts 31 March 2018

The Executive Finance Director introduced the report and highlighted the variances to budget.

The Chair queried with regard to the additional provision for rental arrears and sundry debtors, to what extent the change is due to methodology or adverse performance or whether it was a combination of both. The Executive Finance Director replied that it was mainly methodology but that we have been poor at collecting sundry debts and that further provision should probably have been made previously. The Executive Finance Director stated that the arrears provision is quite judgemental and that more work has been done on arrears and that he has tried to be more scientific on how we are providing for arrears.

The Chair asked how happy or otherwise the Executive Finance Director was with the financial outturn. The Executive Finance Director replied that it is a good financial outturn and well ahead of budget even though the net surplus was lower than last year. BDS results are disappointing as it was anticipated to have more development activity in the year, but this is now starting to happen. The Executive Finance Director stated that some of our financial performance indicators are low compared to the sector and that he would like them to be better.

Mr Barber commented that the development trajectory was key for the Executive Finance Director and now it is over to the Executive Development Director to deliver the 600 homes.

The Group Chief Executive stated that more money will need to be raised in the market in order to deliver all of our development aims.

ACTION

The Executive Development Director stated that the land banking that we had is now mostly on site and we are trying to build this up again. He stated that in relation to the Corporate Plan targets there are approximately 210 uncommitted but some of these are being worked on and we are down to a remainder of 150 to find within the next 18 months.

Following consideration the board noted the final March 2018 management accounts.

5.2 2018 Business Plan

The Executive Finance Director introduced the report. He summarised the changes to underlying assumptions described in section 4 of the plan and commented on underlying trends including the anticipated improvement in operating surplus generated from increased economies of scale arising from the proposed development programme. He also commented on the impact of the outright sales programme on the Group surpluses and the sensitivity of anticipated surpluses to underlying house prices. Section 9 on treasury shows a pattern of repayment of legacy bank debt over the next few years which has been built into the plan. Section 11 outlines the risk appetite parameters which shows 2 exceptions relating to the rolling capital expenditure parameter which marginally exceeded the limit in 2020 and the “months until refinancing” limit which dropped below the minimum parameter of 12 months in 2020. He explained that these future “breaches” acted as warnings of actions needed prior to those parameters being breached.

He continued to explain the reduced number of stress testing scenarios for this year after taking out those no longer relevant including right to buy and the scenario to remove 50% of the open market surpluses. None of the individual scenarios cause us to go into a loss making position and it’s only when we start to compound we get into difficulties with loss making after year 6 and loan covenants years 5 and 6. The table in section 5 on p 17 shows where we start to breach loan covenants. Gearing ratio and liquidity (net debt position) have been added into the scenarios this year.

Dr Hibberd challenged the assumption about staffing costs – that pay rises in excess of inflation would be compensated for by efficiency savings. He commented that he found the stress testing reassuring but queried the lack of development KPIs. The Executive Finance Director accepted that the staffing cost assumption would be challenging but noted that there were allowances for additional costs of management for new properties. He said there would be other KPIs reported for development in due course but pointed out that compared to the 2017 plan while costs had gone up so had selling prices.

The Group Chief Executive accepted there were indices that would make us press the pause button and we should develop these for the September board.

The Chair stated that Mr Slyfield had sent him his comments on the Business Plan and has queried why we have assumed no right to buys in the Key

Assumptions in section 4.1 and he wanted to check that all Members were comfortable with this assumption.

ACTION

JF it has gone quiet on this on the political front - overall right to buys don't have a serious financial consequence since it benefits cashflow short term. However it does mean a longer term loss of economy of scale and so he has omitted it.

The Chair queried whether we are comfortable that the scenarios meet the Regulator's expectations as well all major risks that we might face. The Executive Finance Director responded that the regulator has never been that specific but reiterated the importance of looking at compound scenarios and whether we should look at a different order of more likely compound scenarios. He suggested that our approach was broadly comparable with our peers in the rest of the sector and it had been accepted during the IDA.

The Chair questioned the 6 months to refinancing in 2020 - in reality we would do something about it or are we saying we would have to live with it? The Executive Finance Director said that short term revolving facilities could be secured from either of two existing lenders who had surplus security in a relatively short period of time. There was little point in arranging this now as there were still major uncertainties about the timing of the development programme.

Following consideration the board:

- approved the 2018 business plan specifically including the key underlying assumptions (section 4 of the business plan) subject to further explanation to be added to the business plan as follows: "The approval for the business plan acknowledges that the board has noted this potential future breach of the risk parameter in that year (while noting that the results for the year before and year after fall well within the limit) and that this future potential breach will continue to be monitored as the forecasting of the development programme continues to evolve over the next 2 years."
- approved its submission to the Regulator for Social Housing, subject to finalisation of the upload to the regulatory system through the FFR (Financial Forecast Return) portal.

Chris: Is our approach broadly consistent with our peers?

JF: - yes - IDA this year no comment so suggests we are doing it right.

Chris: the 6 month financing in 2020 - in reality we would do something about it or are we saying we would have to live with it.

The Chair was concerned about the future breaches of the risk appetite ratios and asked that

Julian – below are my very draft notes – Chris wanted a very specific minute on the business plan so I will leave this up to you!

ACTION

Members considered the key assumptions

Looked at key assumptions - capital investment income expenditure assumptions which are really around dev - gift aid being generated as we've increased number of sales in order to cope with the additional spend on that scheme. These are the main changes - land banking slightly less - some of the assumptions have gone - we've increased component replacement - about 8% up on what we assumed last year does not include now the contingency We are expecting big hits on pension scheme - if it was 50% would not give us serious covenant issues. Only other sign of change is putting actual costs on private placement - we've slightly increased libor going forward - in terms of results para 3 on page 3 - the summary numbers from the bus plan overall numbers are pretty similar - net surplus line gone up by 3/4 on development - you'll see under lying operating margin by the end of 2022 and 2023 will keep lid on operating costs - this margin ticks up to 30%. The BHG figures - net surplus goes up and down - we're recording some big surpluses there is a fair amount of volatility - so financial trends - para 5 - page 5 and 6 table on dev programme - roughly a third of the programme is committed third yet to come third being built.

Para 9 on page 8 - treasury table - we will be repaying bank debt over the course of next 5 years - paying back quite quickly - there is quite a lot of that bank debt which will start to fall off on the fixed rate and become variable rate will need to revisit our treasury policy on this over the next year. Para 11 on page 10 risk parameters - we amended capital expenditure - made a three -year average - projections now we will go over that risk parameter in 2021 because the dev programme has concentined - the level of capital expenditure will be quite high for an organisation of our size we shoud note it is going to reach this parameter - I think we can cope with it but we will need a small amount of money for BHG as well. 2020 we will need some more short -term funding at that point.

On stress testing on page 13 we've reduced number of scenarios for this year taken out those not relevant - right to buy - this year we've taken out 50% of surpluses - the RSH like us to bust the business plan through business plans but none of the scenarios cause us to go into a loss making position – it's only when we start to compound we get into difficulties - loss making after year 6 - we start to breach loan covenants years 5 and 6 with compounded scenarios. . The table in section 5 on p 17 shows where we start to breach loan covenant - we've added in gearing ratio this year - no problem - plenty of latitude - on p 20 given stats on liquidity - those numbers are our net position - cash less the amount of debt that we have in any one point in time - JF did not table this properly - Chris pointed this out etc.. JF - I'm asking you to approve plan and section 4 of the plan and note the two potential breaches (look at recommendations) -

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Questions:

Simon - standard phrase - staff costs - difficulty is to pay those bigger pay increases overall - ask JF about this one. - Simon the stress testing at the end is reassuring - we don't have KPIs for the dev which is the biggest risk that we have is there a way we can have similar information as far as dev is concerned - build costs going up by 50% - somewhere along the lines - it would be useful to have a series of triggers that alert us to this - is there a way of thinking about that - stress testing is looking forward not current.

JF: one of the tests is looking at the dev costs and out of the overall programme a large amount of sales income coming in - grants we're securing leaves half that we will be funding ourselves. Carrow Quay additional costs because of Grenfell - the sales proceeds have also gone up - this is true of North Norfolk - overall the margin keeps pretty much in line.

APS people are starting to see the product we are producing. Chris: I think the performance report got put together before we got developing in earnest - we can have some KPIs for development specifically - there are a few indices with BSB. We need to find the right key indicators that would alert us to financial stress long enough in advance.

MN:: Simons point - what are the indices that would make us press the pause button - we need some more sophisticated performance indicators - we had this discussion this month - it is on the agenda - it will be there by September board meeting.

The Chair stated that Mr Slyfield had sent him his thoughts/comments on the Business Plan and has queried whether we have assumed no right to buys in the Key Assumptions in section 4.1 and he wanted to check that all Members were comfortable with this assumption.

JF it has gone quite on this on the political front - overall they don't have a serious financial consequence - it is not an immediate issue - one to two years problem - it does not fit very well into the scenario testing which is why I have left it out.

Chris: the bigger stress testing - SHA are we comfortable that this ticks the box?

JF: they have never specified - I do talk with my colleagues externally – it’s important to look at compound scenarios - do we look at different order of compound scenarios -personally I find this more difficult -

Chris: Is our approach broadly consistent with our peers?

JF: - yes - IDA this year no comment so suggests we are doing it right.

Chris: the 6 month financing in 2020 - in reality we would do something about it or are we saying we would have to live with it.

JF - no section 9 treasury - we will be looking for £10m revolving credit by 2020 to provide short term liquidity We will need two more loans in BSB.

Chris: this table on page 10 we have to show with committed facility - we would not get to this - are we saying we need to show it based on current facilities - JF has done this based on current facilities - we need additional funding to deliver the dev programme that we have - these are warning indicators.

Chris - if we're going to have it we must get the minute right - what we're really saying if we continue with current spend and don't put in revolving credit we would be below 12- month threshold but we will not put ourselves in this position. Julian to draft the correct minute and tweak the final business plan put a closer link between page 9 and 10 or asterisk six saying this would only happen if we fail to get new facility etc - talk to JF.

Chris - we need to adjust the recommendations - we will work on the minute.

Subject to report being tweaked the board approved etc.

5.3 NHF Directors and Officers Liability Insurance Renewal

The Company Secretary introduced the report.

The Board **approved** the purchase of a £2m top up facility and **agreed** the following minute:

"It is recommended that BHA purchase 'top up' cover of at least £2m in order to mitigate against issues which may impact multiple RPs across the social housing sector and to ensure adequate provision for all BHA entities. This recommendation is made against the backdrop of implications arising from the Grenfell Tower tragedy as well as other external factors such as potential changes to the legal and regulatory framework and the UK's exit from the European Union (please note that additional cover may need to be purchased in the event of a merger – see '*Mergers*' within the introduction of Appendix 1)".

ACTION

5.4 GDPR Data Removal Report and Write Off Report

The Executive Housing Director introduced the repot.

The Board **authorised** staff to remove any data for tenants who left the Association more than six years ago. The Board **approved** the write off of balances as detailed in section 5 of the report.

5.5 Joint Working with Norwich Credit Union

The Executive Housing Director introduced the report.

The Chair queried point 4b - Helping Tenants who are in Arrears and queried if a tenant defaulted would we reimburse them? The Executive Housing Director responded that we would, but that the amount would be limited.

The Chair asked that if we lend direct to our tenants whether this would be a regulatory problem?

The Executive Finance Director responded that as we are not doing the lending directly, we are placing funds with the credit union then there is no problem from a charitable objective.

Mr Tempest asked what the risks are.

The Executive Housing Director stated that there will be an outlay of £15k but that this amount will not be given to Norwich Credit Union straight away, the initial amount will be £5k. He stated that if we have to evict a tenant it can cost up to £5k or £6K and that this would be a way of helping a tenant to sustain their tenancy.

Mrs Trice queried how tenants would be identified for a loan.

The Executive Housing Director responded that it would be a combination of referrals from the Arrears team, Tenancy Support team and Neighbourhood Officers.

Mrs Trice asked if the pilot was successful would we roll it out more extensively.

The Chief Executive stated that a paper will be brought to the September board meeting on Homes for Cathy which will consider how can we stop evicting people due to arrears. The joint working with the Norwich Credit Union is one option. He stated that it costs a lot of money to evict a tenant, causes a lot of stress to the family and there is evidence to suggest that children's education can suffer due to an eviction. **MN**

Mrs Trice commented that if we can offer this solution to tenants before they get into problems it could encourage tenants to save and could help to implement behavioural change.

ACTION

The Assistant Housing Director stated that he believed this is exactly the kind of initiative that we should be doing – finding creative solutions to stop evictions from happening. It is one of the commitments that we will be signing up to with Crisis and their 10- year plan to end homelessness.

Mr Tempest asked if tenants will be encouraged to join the Norwich Credit Union, as he believed it is not just for those tenants in crisis, some tenants could become customers and build up a resilience. The Executive Housing Director stated that the first part of the pilot is to promote the initiative and offer an incentive then hopefully encourage tenants to save regularly.

The Board **approved** a budget of up to £20k per annum (£15k in 2018-19) to enable a pilot scheme to be run.

6.00 ITEMS FOR DISCUSSION AND NOTING

6.1 Business Performance Report

The Executive Finance Director introduced the report and highlighted the main trends and performance exceptions.

Mr Tempest asked regarding the KPI average relet times explanatory note about homelessness what support is being offered. The Executive Development Director stated that a couple of the local authorities have approached us about providing temporary accommodation. Steph Davis, Senior Housing Manager has been in discussion with Kings Lynn BC about this issue. The Executive Development Director has had discussions about creating park homes for Kings Lynn BC, which would be movable accommodation. It was acknowledged that funding this type of activity may be difficult. It was **noted** that Norwich City Council have also approached us about 30 places for temporary accommodation. It was **noted** that these conversations are at an early stage of development. The Chief Executive commented that the new Homeless Reduction Act is focusing their minds.

The Chief Executive stated that we have tried to adapt the 'BKPI-10 days lost to staff sickness absence' (page 20) report using the Bradford Factor methodology. It is hoped that this will give Members a better understanding of sickness absence. It was acknowledged that this is a work in progress.

The Chair asked how we could avoid losing intelligence, as if we were not careful data could be adjusted a little each year and we would lose 'the picture' when looking back on the figures. He stated that it would be useful if the Board could see a longer view annually and to look at seasonal trends. The Chief Executive stated that we would have to consider how to present this in a meaningful way. It was **agreed** that the Chief Executive would take this request away and consider the most appropriate way of providing the information. **MN**

The Business Performance report was **noted.**

6.2 Value for Money Annual Statement **ACTION**

The Executive Finance Director introduced the report.

The Chief Executive stated that if we can get the data we will be adding the Homes for Cathy metrics: the number of tenants evicted and the number of homeless re-homed.

Mr Tempest asked whether the Regulator was expecting commentary or targets or both. The Executive Finance Director responded that to not set any targets or not to make any comparisons would be wrong and likely to attract criticism. It was **noted** that the Executive Finance Director had started work on this. It was **noted** that the Regulator does not expect all housing associations to be the same. If an association is involved in development, it is very likely that they will have a higher level of gearing. The Regulator is expecting intelligent analysis for where we are.

The Chair commented that the fact is that BHG is less robust financially on some of these metrics and we saw this evidenced on the private placement. He stated that what we put into the commentary report is fundamental. He asked the Executive Finance Director if he could prepare a brief document summarising the main financial ratios, where and why Broadland is in relation to the rest of the sector including the context to why Broadland's indicators are weaker (such as costs of premises, dispersed housing stock and so on). This would help the board understand what is structural, what can or cannot be changed.

Mr Barber asked whether we could be more inventive with our own metrics and include the added value we do for tenants through our Tenancy Support team. He stated that he would like to see the value for money broadened. He suggested that this is something Members could discuss at the next away day.

The Chief Executive stated that there will be two away day events next year as Members will have to consider the new corporate strategy.

The Executive Finance Director stated that the difficulty is that in the last few years the value for money statements across the sector have grown in length. The criticism the Regulator received was that the statements should be more focused and therefore it has decided to have these more specific financial metrics. It was acknowledged that it is probably better to present our own metrics to our tenants ourselves rather than do it in the annual accounts.

The 2017-18 Value for Money Statement and the associated metrics and targets were **noted.**

ACTION

6.3 Carrow Quay

The Executive Development Director gave an update on Carrow Quay. It was **noted** that Phase One has been mobilised and that the bund has been removed and that the contamination was not as bad as first thought. The piling will start on Monday 25 June. The final proposals for Phase Two will be available next month and then the cashflows for Phase 2 can be updated. This will go to the next BSB board for recommended approval and then to the July Board for recommended approval. Regarding Phase 3 we are still waiting for confirmation of Section 106s from the planners. It was **noted** that the Executive Development Director is having discussions with the Broads Authority regarding including house boats in the plans. The Broads Authority are, in essence, keen for this to be agreed. It is hoped that an application for this will be put forward in

September. It was **noted** that a paper on Carrow Quay will come to the July board meeting. **APS**

7.00 STANDING ITEMS

7.1 Minutes of Committees and Subsidiary Boards

There are no minutes to discuss at this meeting.

7.2 Referred Items to Board

There were no referred items to the Board.

7.3 Equality and Diversity

No issues were raised.

7.4 Health and Safety

No issues were raised.

7.5 Feedback from Training/Conference attended

The Company Secretary attended a ??? – ask Sarah

7.6 Any Other Business

Mr Tempest commented that the SWOT within the business plan would be a good start for the Board Away Day in November. **MN**

Mrs Trice asked why BHG does not offer a model for rent to buy. The Executive Development Director responded that this model was considered for a scheme at Watton, however there was not sufficient grant from Homes England to make the scheme viable. It is still a model that we could use in the future but rent on its own does not work. It is something we can look at in the future. It was **noted** that Homes England are focusing on rent. **ACTION**

The Chief Executive stated that we would need to consider this as a different business stream and whether we would be able to secure grant funding for this model. It was **agreed** that it is worth a proper strategic discussion in November at the Board Away Days. **MN**

7.7 Items from Noting Pack

7.7.1 GDPR Update

The Executive Finance Director introduced the report which was **noted**.

7.7.2 Governance Action Plan

The Governance Action Plan was **noted.**

7.7.3 NHF Codes Compliance Check

The NHF Codes Compliance Check was **noted.**

7.7.4 Development Monitoring

The Development Monitoring report was **noted**.

8.00 Date and time of next meeting

Wednesday 25 July 2018 at 5.30 pm

The meeting closed at 7.10 pm.

Signed .... Dated ....
Group Chair

Distribution

Jon Barber
Chris Ewbank (Chair)
Samantha England
Simon Hibberd
Michael Newey
Helen Skoyles
Kate Slack
Paul Slyfield
Gavin Tempest
Siobhan Trice

Subsidiary Board Membership and Quorum

Broadland St Benedicts	**Broadland Development Services**	**Broadland Meridian**	**Charlies Social Enterprise (dormant)**
Board Members who also sit on the BHA Board			
Michael Newey (Chair)	Michael Newey (Chair)	Gavin Tempest (Chair)	Michael Newey
Helen Skoyles			Gavin Tempest
Board Members who do not sit on the BHA Board			
Julian Foster	Julian Foster	Jenny Manser	Jenny Manser (Chair)
Sean Tompkins	Andrew Savage		
Martin Clark			
Quorum			
Simple majority of the total number of Board Members, subject to at least two Non-Executive members being present	Simple majority of the total number of Board Members	Simple majority of the total number of Board Members, subject to at least two members being present	Simple majority of the total number of Board members, provided that the member of the Board of Broadland Meridian is in attendance