



## BOARD OF DIRECTORS

9 July 2015

### PRESENT:

#### Directors

Paul Foy (Chair)  
Elizabeth Bird  
Sheila Bouitieh  
Robert Buckley  
Joann Carr  
Mick Davison  
Pauline Dillon  
Kathryn Ferdinand  
Eileen Gill  
Helen Hall  
John Hamilton  
Tracy Harrison  
Peter Mole  
Joachim Moussounda Mouanda

#### Advisers

Jon Mallen-Beadle	Managing Director
Neil Bouch	Director of Customers and Communities
Kevin Johnson	Head of Customer Services
Natalie Hewitt	Head of Corporate Services
Julie McCartney	Head of Neighbourhood Services
Phil Gallagher	Head of Investment and Development
Simon Chrisp	Asset Manager
Stuart Gibson	Governance and Risk Officer

#### Also in attendance

Adrian Webb            Ridge

#### Apologies

George Clark

### 22 MINUTES

The minutes of the Board Meeting held on 21 May 2015 were approved as a correct record.

## 23 ASSET MANAGEMENT STRATEGY AND STOCK CONDITION SURVEY

The Board received a presentation from Adrian Webb on the emerging findings from the recent stock condition survey exercise carried out by Ridge. On site surveys commenced in January this year and concluded in April 2015. The surveys focused on validating stock condition update on approximately 10% of the housing stock and external survey of all blocks.

The findings and projections were consistent with what would be expected from an organisation that had recently concluded a decent homes programme, with spikes in required investment for major works peaking in years 10-15 and again in years 21-25. This was reflective of life cycle replacements on elemental replacements, such as kitchens, bathrooms, heating systems and electrical upgrades.

The additional spike in required investment during years 1-5, was largely attributed to a recommended increase in estate improvement works which again was consistent with trends in customer satisfaction surveys showing dissatisfaction with estates and common areas. It was reflective of the fact that despite significant investment to individual properties throughout the last ten years, there were a number of areas that did not fall within the definition of “decent homes” that now need to be tackled and be fed into the 30 year HRA Business Plan to ensure that estates and neighbourhoods remain sustainable.

Part of the exercise to develop the strategy involved compiling a demand assessment which was the subject of a Board report on 21 May 2015. The emerging themes from the stock condition findings would need to be considered alongside the demand picture.

One of the clear indications from both was a need to focus on external and environmental investment alongside the overriding need to maintain homes as decent. Additionally, re-investment in low demand properties needed to be carefully considered, particularly in relation to high cost infrastructure and structural works.

Desk top cost projections were included for areas that were outside of the scope of the sample survey and further validation of these areas was a key action within the first year of the strategy to clarify the investment needed. Typically, this would include invasive and structural surveys on complex mechanical and engineering areas on high rise and sheltered schemes, garage assets and non-traditionally constructed properties. These were areas that should be considered high risk in terms of financial projections and further validation of the assumptions for investment is required.

As part of the follow on work from the stock condition survey and the implementation of the Asset Strategy, Ridge were commissioned to provide a viability modelling tool to assess how properties or estates are performing in terms of yield over the life of the 30 year plan. Whilst not definitive, it would support discussion around estates that are not performing and help to inform decisions around re-investment or potential regeneration.

The cost projections that have been highlighted and recommended would now need to be factored into the HRA 30 year plan. The plan had been recently

updated to reflect changes in demand, void rates, right to buy assumptions and rent levels but the plan needed to be updated with investment projections to establish whether the investment needs of the stock remained affordable within the context of the HRA.

An Executive Summary and action plan was submitted. The full strategy document would need to be finalised following discussion with Gateshead Council and assessment of the findings and the impact on the HRA business plan.

Priority actions outlined in the strategy will need to be progressed, particularly around high risk areas of projected spend that needs further validation.

An asset management working group would be established with clear terms of reference that would be comprised of officers from TGHC and Gateshead Council. This would be a forum where future investment needs would be considered and it was anticipated that this group would develop an investment programme for the next five years, aligned to priorities identified in the strategy.

It was envisaged that the viability modelling tool that had been procured as part of this phase of activity would be implemented and considered through this group for properties or estates that required significant investment to ensure ongoing sustainability.

The Board questioned how customer education could resolve damp issues in a property if it was a new tenant and there was still a problem from previous tenancy. It was noted that as well as education, the Company was now carrying out different work to try and address the issue, for example ventilation in new bathrooms and kitchens.

The Board made the point that improvements used to be the only area of flexibility and asked if it would not be prudent to hold back on these until the other issues were resolved. It was noted that this was informed by a lot of work to non-traditional properties and external wall insulation which needed to be brought up to standard.

The Board asked if any analysis had been carried out to ascertain if there would be any change to costs if any elements were moved back or forwards in the 30 year plan. It was noted that the 5 year budgets would be correct but changes could be made within each 5 year period. Some costs could be reduced by doing some work earlier.

It was noted that some organisations are putting more responsibility on tenants. Some housing authorities were stricter on response policy. However, tenants had expectations and changes would need to be implemented slowly.

The Board asked if there was any evidence of what was/was not successful. It was noted that there was evidence that repairs costs had gone down in organisations that carried out a sticky plaster service but this had been introduced over time, for example a five year plan to educate tenants.

The Board asked how accurate Ridge's forecasts had been in other organisations. It was noted that of those that had followed their guidance, they had been correct.

The Board asked if there was a clear message by area from the surveys. It was noted that there wasn't by area, however the future viability of the multi-storeys was the biggest issue.

The Board asked if there was any good practice from other European countries it could follow. It was noted that every country (and even different areas of the United Kingdom) was so different with no similar set up so it was difficult to draw any conclusions from them. It was suggested speaking to Gentoo, though it was noted that they wouldn't have as many multi-storey blocks.

The Spanish high rise blocks were a better comparison. However, they were built by choice and it was agreed before they were built what they wanted from them. These were also very expensive but there were other models of these in in the UK, for example Leeds.

It was stressed that this work carried out by Ridge was just the basics of what the Company needed to do. It now needed to put these figures and information from the summer budget into the HRA Business Plan, with a view to updating the Board in September on what everything means. There were going to be some very difficult decisions and discussions during the next few months.

- RESOLVED –
- (i) That the emerging findings from the recent stock condition survey exercise carried out by ridge be noted and Ridge be thanked for the work they have carried out.
  - (ii) That following further consultation with Gateshead Council, the full Asset Strategy be brought back to Board for formal approval.
  - (iii) That updates on progress against asset strategy actions be received via the Asset, Investment and Development Committee and at future Board meetings.

## **24 REPORT ON THE STATEMENT OF INTERNAL CONTROL – 2014/15**

It is a requirement under the UK Corporate Governance Code that companies undertake, at least annually, a review of the effectiveness of their systems of internal control. A company's board should undertake this review for the purposes of making its public Statement of Internal Control, which is published as part of the financial statements.

The statement of internal control for the year ended 31 March 2015 was considered by Audit Committee on 1 July 2015 and it recommended approval to the Board.

- RESOLVED – That the Statement of Internal Control contained with the Financial Statements for the year ended 31 March 2015 be approved.

## **25 DIRECTORS' REPORT AND FINANCIAL STATEMENTS – 2014/15**

The Audit Committee, at its meeting held on 1 July 2015, scrutinised the report and statements and recommended that they be approved by the Board.

The report and financial statements for 2014/15 will be presented to the company's Annual General Meeting, which will be held after the meeting of the Board on 17 September 2015.

- RESOLVED – (i) That the Directors' Report and Financial Statements for the year ended 31 March 2015 be approved.
- (ii) That Officers be congratulated for receiving such a good report.

## **26 KPMG REPRESENTATION LETTER – YEAR ENDED 31 MARCH 2015**

The Company's external auditors KPMG carried out an audit of the report and financial statements for 2014/15 during May 2015. A report presenting their findings was approved by Audit Committee at its meeting on 1 July 2015.

As part of the audit, KPMG require the management representation letter to be signed by the Chair and the Company Secretary on behalf of the Board. Audit Committee, at its meeting on 1 July 2015, recommended that the Board authorise the Chair and Company Secretary to sign the letter on its behalf.

- RESOLVED – That the Chair and Company Secretary be authorised to sign the management representation letter on behalf of the Board.

## **27 MINUTES OF AUDIT COMMITTEE HELD ON 1 JULY 2015**

The minutes of the meeting of Audit Committee held on 1 July 2015 were submitted.

The Board asked if the company's insurance arrangements covered it for cyber fraud. The Managing Director agreed to look into this and report back to the Board.

- RESOLVED – (i) That the minutes be noted, subject to reference to 'gift yield' being amended to read 'gilt yield'.
- (ii) That the ICT Security Policy be approved.

## **28 BEHAVIOURAL FRAMEWORK**

The Board, at its meeting held on 19 March 2015, approved the five year strategic plan 2015-2020, which included a revised mission, vision and values for the company,

Within this, under the first priority – "Investing in our employees and developing new and innovative ways of working to deliver this plan" the commitment was made to develop new behaviours to support the delivery of the objectives.

Following extensive consultation with employees at all levels across the organisation, a draft behavioural framework has been produced which details the behaviours and attitudes required of all employees and supports the delivery of the strategic plan.

The behaviours have been matched to a value and grouped together. Some values have been combined together. Separate values have been identified for an individual, manager and the Company for each value. The Board suggested changing it from linking to the Company to 'Senior Management and the Board'.

The framework is currently being shared with all employees for final comment before it is rolled out with guidance to support its use.

The draft behavioural framework was submitted.

The Board welcomed the behavioural framework and stressed that it was important now for all employees to understand it and to use it in performance management, recruitment and succession planning.

RESOLVED – That the Board is satisfied with the progress to date with the implementation of the behavioural framework, subject to changing the link to Company as suggested above.

## **29 COMPARISON OF EXPENDITURE ON DISCRETIONARY HOUSING PAYMENTS IN 2014/15**

The Board received a report on the take-up of Discretionary Housing Payments in Gateshead in 2014/15 compared to other local authority areas.

In Gateshead, following a report to Cabinet in December 2013, and due to a greatly increased number of applications from tenants, approval was sought and permission received to contribute additional funding from the Housing Revenue Account (HRA) in both 2013/14 and 2014/15.

- In 2013/14 a central government contribution of £558,000 was topped up late in the year by £36,000 from HRA.
- In 2014/15 a central government contribution of £438,000 was identified at an early stage to be insufficient and topped up by £381,000 from HRA.

The contribution from central government may be administered by the Council to respond to applications from council tenants as well as tenants of other social landlords and tenants of private landlords. The sum from HRA may only be used for applications from council tenants.

The contribution from central government for 2015/16 is £426,183. With existing levels of take-up, it is very likely that the top-up will be required again.

The Department of Work and Pensions has released data on DHP expenditure in 2014/15 for 378 (out of 380) local authorities.

The report shows that Gateshead is included in the highest band of authorities in terms of DHP expenditure compared to original allocation (150%+ band). The expenditure in Gateshead was 187% of the original allocation. In England and Wales, this makes us the second highest authority, behind Stratford-on-Avon (225%).

The ratios in Scotland are higher due to additional funding provided by the Scottish government.

RESOLVED – That the information be noted.

### **30 MINUTES OF ASSETS, DEVELOPMENT AND INVESTMENT COMMITTEE HELD ON 18 JUNE 2015**

The minutes of the meeting of Assets, Development and Investment Committee held on 18 June 2015 were submitted.

RESOLVED – That the minutes be noted.

### **31 MINUTES OF KEELMAN HOMES BOARD HELD ON 21 MAY AND 2 JULY 2015**

The minutes of the meeting of Keelman Homes held on 21 May and 2 July 2015 were submitted.

RESOLVED – That the minutes be noted.

### **32 ITEMS FOR INFORMATION**

The following information was posted on the Company's website: -

- TGHC Community Fund Impact Report 2014/15
- Forward Plan

RESOLVED – That the information be noted.

### **33 FEEDBACK FROM OUTSIDE BODIES AND EVENTS**

The following feedback from outside bodies and events was reported: -

- Jon Mallen-Beadle reported that he recently attended the CIH Conference with Councillor Paul Foy, Councillor Liz Twist and Peter Udall. A document summarising the following six key themes that came out of the conference was tabled: -
  - Worries about Welfare cuts
  - Aspiration and the Right to Buy
  - Cheap cash
  - Devo Dreams
  - Development Ambition
  - Getting the message out there

It was noted that during the conference there was very little mention of Council housing.

The Board felt that through the Northern Housing Consortium and other bodies, the Company needed to be raising its concerns.

The Board asked if the Company had analysed how much stock had been sold and was now rented by private landlords. It was noted that this type of exercise had never been carried out formally but would be worth undertaking.

It was noted that the Northern Housing Consortium was looking to set a group to look a number of issues.

- An on-the-day briefing following the Summer Budget 2015 produced by the Northern Housing Consortium was tabled. In particular, the briefing highlighted the main housing, welfare, economy, work and skills, health and social care announcements from the budget.

The Board felt that the time was right to raise the issue of financing charges again.

The Board stressed that there was going to be some very difficult decisions that would need to be taken. It was noted that there was a Members Seminar on 15 July 2015 on the future of Council housing.

- Kathryn Ferdinand made reference to a an elderly lady in her ward where she was a councillor who was very complimentary of Mears and the work they had done fitting a rail.

RESOLVED – That the feedback from outside bodies and events be reported.

#### **34 DATE AND TIME OF NEXT MEETING**

The next Board Meeting will be held on Thursday, 17 September 2015 at 10am in the Blaydon Room, Gateshead Civic Centre, Regent Street, Gateshead.

#### **35 EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED – That the press and public be excluded from the meeting during consideration of the remaining business in accordance with Category 4 of the Company's Access to Information Rules.

#### **36 MINUTES (Category 4)**

The minutes of the Board Meeting held on 21 May 2015 were approved as a correct record.

#### **37 MINUTES OF AUDIT COMMITTEE HELD ON 1 JULY 2015 (Category 4)**

The minutes of the meeting of Audit Committee held on 1 July 2015 were submitted.

RESOLVED – That he minutes be noted.

**38 MINUTES OF KEELMAN HOMES HELD ON 21 MAY 2015 (Category 4)**

The minutes of the meeting of Keelman Homes held on 21 May 2015 were submitted.

RESOLVED – That he minutes be noted.