Minutes of Meeting

Meeting: Board Meeting
Date: Thursday, 29 February 2024
Time: 6.00pm
Venue: Board Room, Royal Scot House

Present:

Naomi Barrand
Janet Crooks
Victoria Dingle
Jenny Ekelund
Emma Luddington
Davi Mody
Peter Nkum
Peter Sloman
Hayley Smith
Martyn Thorne
Kate Wareing

Apologies:

Dave Lakin
Craig Dransfield

Also in attendance:

Matt Archer, Director of Housing and Communities
Lee Hayward, Director of Property Services
Nasreen Hussain, Director of Finance and Resources
Penny Finburg, Head of Finance and Treasury
Marisa Elliott, Governance and Regulation Manager / Company Secretary

<u>Observers</u>
Amanda Browning, Members' Forum
Doreen Gow, Members' Forum

Declarations of Interest

All staff and Board members declared an interest in items 50b and 54, the Personnel and Remuneration Committee Minutes and the Budget 2024/25.

Announcements

The Chair of the Board welcomed Amanda Browning and Doreen Gow from the Members' Forum as observers.

50a. Approval of Minutes

The minutes of the Board meeting held on 25 January 2024 were approved.

Resolved:

That the minutes of the Board Meeting held on 25 January 2024 be signed as a true and accurate record.

50b. Personnel and Remuneration Committee Minutes including Staff and Board Remuneration Proposal

The Chair of the Personnel and Remuneration Committee gave an overview of the meeting held on 9 February 2024. She advised that although the decision on remuneration for staff and Board members will be discussed as part of the Budget 2024/25, the Committee agreed with the proposed recommendation. However, the Committee also asked for additional modelling of a 3% and 5% pay increase to be included in the Budget report for the Board.

A couple of other key highlights included the amendments to some Board member role profiles and the commencement of Board appraisals with the Chair in March.

Resolved:

That the Board notes the minutes of the Personnel and Remuneration Committee.

51. Matters Arising Tracker and Wallboard Ideas

Items 49 & 55 - Update on the MD Repair Backlog
This item is included within the CEX Key Issues report at point 52.

Item 54 - What else Soha can do to Assist with Individuals whose Housing Needs are not being Met Elsewhere
This item will be considered as part of the next Corporate Plan. Agreed to remove from the tracker.

Item 77 - Evaluation Technique to Measure Impact of Stopping or Slowing Down Activities
Not yet due.

Item 27 – Collection of Household EDI Information
Not yet due.

Item 29 - Staff Connecting Together Better
Not yet due.

Item 30 - Whether helping to Address Homelessness should be a more Proactive Part of Soha's Mission and Purpose
See item 54. Agreed to remove from the tracker.

Item 37a – Inclusion of Full Range of Protected Characteristics in the EDI Strategy 2023-26
The Director of Housing and Communities advised that we collect data for six of the nine protected characteristics. He advised that we have discussed sex at birth and made a decision to recognise individual's reported gender and not to record their sex at birth. He confirmed that marital and maternity status have been discussed as possible data points, but it was felt that they were impermanent and are likely to be out of date reasonably quickly.

The Director of Housing and Communities confirmed that we do recognise the full range of protected characteristics when we complete Equality Impact Assessments for any new policy.

It was agreed to remove this item from the tracker.

Item 39 - Soha's Approach to Managing Residents who Own XL Bully Dogs
The Director of Housing and Communities advised that residents who own an XL Bully dog with an exemption certificate are lawfully allowed to do so and Soha will only intervene when a specific incident is reported to us. He confirmed that if we're made aware of an XL Bully without an exemption certificate, we will report this to the police.

It was agreed to remove this item from the tracker.

Item 44 - Challenge Assumptions about Cost Pressures in the Stress Testing Scenarios in the Business Plan
Not yet due.

Wallboard Items

The Chair invited members to reflect on any additional items for inclusion on the Wallboard. No questions were raised or comments offered in response.

It was suggested that we revert to a physical Wallboard for the Board meeting in March.

Reports

52. Chief Executive Key Issues Update

The Chief Executive provided an update to members on key external

trends and internal issues. <u>External Update</u> **1. Inflation and Economic Operating Environment** The Chief Executive advised that January CPI inflation was 4.0%, the same as December 2023 which is good news as it had been expected to rise slightly. **2. Cost of Borrowing** The Chief Executive advised that there were no major changes since the last update in January. **3. Election Speculation, and Likely Areas of Policy Focus** The Chief Executive advised that speculation is rife about the timing of the next election with opinion split between May and as late as November. Soha has been involved in a lot of partnership work to aim to influence the manifestos and planning of the main parties in the run up to the next election. Key asks are focused on two areas – the need for stability and predictability of future rental income; and the need for increased capital funding and ambition to increase future housing supply. **4. Awaab's Law** The Chief Executive advised the government are consulting on an amendment to Awaab's Law, which will set specified timescales within which social housing landlords will be obliged to act when hazards are reported to them, including damp and mould in properties. Managing workload within the new proposed timescales will be challenging and will require changes in how we currently prioritise repairs, including damp and mould. In response to the changes, we have been speaking with our existing contractors regarding resourcing and are about to establish a rapid response team. **5. Decent Homes – Planning for Future Changes** The Chief Executive advised that we are expecting an announcement on the new Decent Homes Standard imminently. Although we do not yet know the full extent of the new standard, we are anticipating that it is likely to include new requirements in relation to ventilation, safety, home security, resident engagement and energy efficiency, and could extend to include local green spaces. It was noted that a report will be brought to the Board when the new standard is published. **6. Introduction of the Complaints Handling Code** The Chief Executive advised that earlier this month, the Housing Ombudsman published the final Complaint Handling Code which	

comes into force on 1 April 2024. She noted that the new Code is in line with the draft on which we shaped our policy and was approved by the Board in January. However, there is one main change to the final Code in relation to timelines. We now must issue a response within ten working days from the date of acknowledgement of the complaint (where before it was from receipt of complaint). This is the same for a Stage 2 review, which is twenty working days from acknowledgement of the request. The Chief Executive advised that we will update the policy and bring to the Board meeting in March for approval.

The team are working with the QL team to ensure we have workflows and templates to support staff in dealing with complaints and also to ensure we are compliant. Recruitment for the additional Complaints Officer is currently taking place with the aim to have all resourcing and systems in place for April 2024.

A member asked how the revised panel for managing the Stage 2 reviews was working. It was noted that it was still early days but feedback had been positive.

7. Consultation Opens on Professional Standards in the Social Housing Sector

The Chief Executive advised that the new standard is intended to ensure that all staff have the necessary skills, knowledge and experience, and exhibit the behaviours needed to provide a good service to residents.

She noted that a consultation paper was published earlier this month which suggested the introduction of this legislation will be April 2025 and provide a two-year implementation cut off.

We have already started work on identifying relevant roles and consulting with staff on their training requirements.

A member asked for clarity on what a 'senior' staff member was in relation to the standard. The Chief Executive advised that the actual roles are still be agreed but it was likely to include anyone who has management responsibility for housing.

8. Roll Out of Managed Migration from Housing Benefit on to Universal Credit

The Chief Executive advised that the Department of Work and Pensions is rolling out managed migration of Housing Benefit claimants onto Universal Credit during the financial year 2024/25. This means that our tenants claiming Housing Benefit will be required to begin claiming Universal Credit (UC) this year. Housing Benefit (HB) will no longer be an option for them. We anticipate the process will be completed from Summer 2024 onwards.

It was noted that the risk to Soha is that arrears increase as Universal Credit is generally payable to the claimant (unlike Housing Benefit which is payable to the landlord). In February 2024, average arrears for UC claimants are about £800, compared to £350 for HB claimants. The Chief Executive confirmed we are currently designing a suite of communications to go to all Housing Benefit claimants under retirement age to: inform them of this process; advise them of the importance of contacting Soha when they receive their letter (DWP will not notify Soha separately); offer assistance with completing the new claim (and other benefits we believe they may be entitled to); and identify any reasons why UC may be payable directly to Soha (such as history of arrears, poor mental health, addiction, etc). **9. Regulator of Social Housing - Quarterly Survey Report on Sector Finances** The Chief Executive advised that the latest quarterly survey from the Regulator shows that the aggregate interest cover across the sector – that is the ratio of operating profit against interest payments, has fallen to 74%, the lowest ever recorded – and down from 181% just four years ago. She noted that Soha's Budget for 2024/25 (on this evening's agenda) has interest cover at 122% which is tight by our usual standards. **10. New Consumer Standards** The Chief Executive advised that the new Consumer Standards were published earlier today. We are already developing a framework to provide a position statement for where we are currently, to identify the gaps and agree how we will close them. We may ask RSM to conduct an internal audit on our compliance with the standard during 2024. <u>Internal Update</u> **1. Responsive Repair Backlog – Update** The Director of Property Services advised that the number of live orders had grown significantly in January to 2,579 due to demand. For context, we raised 2,038 orders in January 2023. We invoked our winter emergency plan meaning repairs were diverted to United Living. This has been positive and although the numbers appear to have stabilised at around 2,000 throughout February, we will retain the additional capacity until the figure returns to our normal expectations. **2. Frances Curtis Court - Sales Update** The Chief Executive advised that we have had one more sale this month. We are also approaching Homes England to see whether we can access any unspent grant to convert unsold shared ownership properties to social rent properties. If successful, these would convert on a permanent basis.	

We continue to let unsold shared ownership properties on an affordable rent basis whilst we have significant unsold stock, with the intention that these will revert to shared ownership in time.

3. Hook Norton Scheme
The Chief Executive advised that we received some positive press coverage on BBC News and in the Oxford Mail for the zero carbon scheme we have been working on with Hook Norton Community Land Trust and Greencore Construction.

A member asked for a potential declaration of interest with the Hook Norton scheme to be noted. This has already been declared and although she is still in contract with them, she hasn't provided any consultancy for at least a year.

Board Member Update
A member asked if Soha will be affected by the requirement for building control professionals to register with the Building Safety Regulator (BSR) by 6 April. If they don't, they will no longer be able to practice legally. Concerns have been raised by local authorities that a significant number of them will be unable to undertake building control services from April unless a deadline to register and achieve certification is extended.

It was noted that Soha doesn't have any concerns, but another member commented that she is experiencing delays and had been made aware that some building control inspectors had decided to leave the industry rather than register with the BSR.

Resolved:

The Board notes the update.

53. Performance Targets 2024/25

The Chief Executive presented the report to ask the Board to approve the TSM and KPI targets for 2024/25.

She advised that we are in a tighter financial position this year. This means that reaching stretching performance targets will require us to improve performance without additional investment unless we can release saving from other areas of the business.

The Chief Executive advised that our current performance against the thirteen 'satisfaction' TSM questions is good. We benchmark as top quartile in six, with eleven out of thirteen measures above median. She confirmed that satisfaction with repairs completed in the last twelve months and with the time taken to complete repairs are the two measures below median level.

The Chief Executive noted that satisfaction across all housing associations is falling but we want to strike the right balance between ambitious but achievable targets. She advised that we are proposing to set our baseline at achieving upper quartile level performance unless there is a reason to deviate from this. The Chief Executive explained that we are choosing to deviate in three areas. These are: 1. Where we think we should excel at a metric because of how integral it is to our values and mission. We have therefore decided to set sector leading targets for “treating residents fairly and with respect”, and “Soha is making a positive difference in my community”. 2. Where we know that we will face specific performance challenges, for example because of the implications on service standards of potential changes to our repairs delivery model, we have set ourselves more modest improvement targets. 3. Where we feel the upper quartile measure is not challenging enough – we won’t be happy if only 59% of our shared owners are satisfied with our service, even though this is upper quartile level. The Chair then invited questions from members. A member understood the rationale for lowering the target for repairs but felt that we should still be aiming for upper quartile. He suggested that we could set a sub-target for each quarter with the aim of achieving a higher target by Q4. He also suggested that we have three or four (but up to six) measures which are critical for Soha and aim to improve these significantly during 2024/25. A member commented that based on current performance, there were a number of metrics in ‘orange’ and was curious as to whether it was achievable to reach upper quartile results. The Chief Executive advised that the benchmarking information from Acuity places us in upper quartile performance across all areas except repairs. A member agreed that a watching brief was required for the ‘red’ metrics but we also need to celebrate the ‘green’ ones and noted the excellent result in re-let times. A member was concerned about the targets being too stretching as she felt that we should not be looking for any trade-offs to ensure we achieve them. The Chief Executive advised that although the Board is being asked to approve the TSM/KPI targets, they have not yet been discussed by the Members’ Forum. It will be taken to their meeting in March so any revisions may need to come back to the Board in March.	

Resolved:

That the Board approves the TSMs and KPIs for 2024/25 as shown in Appendix A of the report.

54. Budget 2024/25

The Head of Finance and Treasury presented the report on the Budget for 2024/25.

She explained that this budget has again been prepared in a difficult economic climate, with significant upward pressures on costs. She noted significant increases in insurance (increasing by 125%), IT costs (increasing by 40.8%), utility costs (13.3% higher), interest payable, responsive repairs (9.2% higher), and planned maintenance (increasing by 15.3%).

The Head of Finance and Treasury drew members' attention to the key points of note in the budget including income which increases by £6.3m (11.9%) due to the 7.7% agreed rent increase for all social rents, the 9.4% increase in shared ownership rents and 69 new properties. She advised that we are expecting operating expenditure to increase to £38.6m, an increase of £4.7m (13.9%) from the current year.

Our operating surplus after interest is projected to be £3.3m, almost the same as last year with an operating margin of 31.4%, a decrease from 35.2% from last year. However, the Global Accounts from 2022/23 show that the average sector operating margin has declined to 16.6%, the lowest since 2009.

The Director of Finance and Resources highlighted the proposed pay award for staff of 4% which has been recommended by the Personnel and Remuneration Committee. The Committee asked for details of the difference in offering a 3% or 5% pay award. It was noted that each 1% is equivalent to £81k.

The Head of Finance and Treasury concluded that although the budget is tight, we are still maintaining our viability with sufficient resources to carry out the objectives in the Corporate Plan and deliver our service in line with the proposed KPIs. We will continue to effectively manage the budget and aim to make efficiency gains where possible.

The Chair then invited questions from members.

A member enquired about the increase in budget for the flexible employee benefits scheme which has increased from £20k to £100k. The Chief Executive advised that based on previous experience, more staff have taken up the cash benefit offer.

A member asked what date was being used to measure inflation as this could be critical when deciding the increase of any staff pay award. He enquired if inflation vs staff pay had been reviewed over the last few years to ensure that we are staying in line with median levels. He suggested that a policy for pay awards should be developed. The Chief Executive advised that, historically, we have used the CPI rate in September to determine the next years' pay award but over the last two years we have used the most up to date rate. A member suggested that we consider average inflation rates across the year to determine any pay award. The Chief Executive agreed to consider this point when we review pay awards again. A member commented that he was worried about a number of factors coming together at once. The Chief Executive advised we are also concerned about this. A member enquired whether we are clear about the value for money of the repairs programme. He asked if we could slow down spend or delay replacement on non-essential items in order to achieve value for money. The Director of Property Services advised that we are modelling longer lifecycles for components and not committing the full Planned Maintenance spend in April. A member commented on the significant increase in insurance costs (up 125%) this year. The Head of Finance and Treasury advised that we are considering whether to self-insure next year. It isn't simple and we would be taking some risk but the savings could be sizeable. **Resolved:** **That the Board reviewed and approves the Budget for 2024/25 as set out in Appendix A of the report.** **55. Business Plan Assumptions and Stress Testing** The Director of Finance and Resources presented the report to ask the Board to review the assumptions and scenarios to be used for stress testing the Business Plan 2024/25. She advised that the assumptions and scenarios are based on our own best predictions during what continues to be a very volatile and uncertain operating environment. This information is used alongside the information in the Hargreaves Risk and Strategy document published in January 2024 and from our treasury advisors, Savills Financial Consulting. The Director of Finance and Resources then took members through the proposal for stress testing which will follow a similar format to last year.	**KW**

She advised that we will be carrying out a combination of single variate sensitivity analysis to ascertain when the plan will break and also multi-variate scenario testing.

We have considered four individual sensitivity factors, namely: conversion of all shared ownership units to affordable rent; arrears; divergence between inflation rates and rental income and interest rates. These have been chosen because they have a significant impact on our cash flow, covenant compliance and/or the long-term cost base of the business.

The three chosen scenarios are based on either the Risk Register, a 'pessimistic' (based on the assumption that inflation and interest rates remain higher for longer than assumed by the OBR) or an 'annual cyclical' scenario (based on the Bank of England's Annual Cyclical Scenario Pessimistic).

The Chair then invited questions.

A member asked whether we need to model into the Risk Register some of the issues we are worried about crystallising particularly with repairs. He also suggested an overt stress test to be carried out if the number of repairs increase to above average levels.

A member enquired whether the grading given for the Consumer Standards will affect interest rates we may be offered. It was noted that it will have an impact but possibly not seismic. The average grading currently being issued across the sector is C2.

Resolved:

That the Board discussed and agrees:

1. **The assumptions to be used to produce the base case Business Plan 2024/25; and**
2. **The stress testing to be performed on the Business Plan 2024/25.**

56. Investment in Existing Homes 2024/25

The Director of Property Services presented the report to provide the Board with the assurance that the level of investment in existing homes is appropriate and ensures we are compliant with the Decent Homes Standard and can deliver the ambition in our Corporate Plan.

He advised that ensuring we have appropriate levels of investment in existing homes is key to managing our long-term viability and that social housing assets are protected. There is also a regulatory expectation that the Board will have oversight of assurance on the level of investment in existing homes. He explained that we have reviewed the information underpinning investment in existing homes including decent homes compliance, major repairs, building safety, energy efficiency and long-term stock regeneration.

The Director of Finance and Resources explained that the report does not aim to provide all the solutions but is a way for the Board to review and have assurance that investment is at the right levels.

The Chair invited questions from members.

A member enquired whether we would be bidding for further grant from the Social Housing Decarbonisation Fund. The Director of Property Services advised that only 200 of the 400 homes would attract the funding due to the nature of works required but we will be submitting a bid at the appropriate time.

The Chief Executive asked the Board to note that we have costed all net zero carbon works into the base case Business Plan. This means we are able to delay some elements of energy efficiency work until future rounds of funding become available if we need to.

Resolved:

That the Board reviewed the report and notes that the evidence and levels of investment in existing homes is robust and appropriate.

57. Re-opening the Development Programme for New Business

The Chief Executive presented the report on behalf of the Head of Development to ask the Board to approve the resumption of development activities.

She advised that new business in development was paused in October 2022 to avoid the need to raise new finance in an uncertain economic environment. We currently have 168 new homes in the pipeline with 68 due to completed in 2024/25 and 100 due for handover in 2025/26.

Following Board approval in January 2024 to begin the process to secure new finance, we now also want to explore new development activities.

The Chief Executive advised that we have conducted some soft market testing to enable us to make some evidence-based decisions. The data gathered included average costs for acquisition of new homes, sales values of shared ownership units, competitiveness of our financial assumptions and testing these to see if we would be able to secure opportunities.

The Chief Executive advised that we are seeking 100 new homes for 2024/24, increasing to 150 per year from 2025/26. However, we will need to raise the debt ceiling currently allowed for in our Rules which will require approval by shareholding Members at the AGM.

The Chair then invited questions and comments from members.

A member commented that the types of new development opportunities being suggested are more expensive and should be balanced with S106 sites. This was agreed.

A member noted there are still lots of people living in temporary accommodation with a housing need. The Chief Executive advised that we need to be prudent with our decisions, but housing need will not be met through the new builds we are considering. She advised that we will be making more use of re-lets for our local authority partners to use for temporary accommodation.

A member asked how we will get shareholding Members to make an informed decision in terms of the increase in the debt ceiling as it's not an easy concept to explain. The Chief Executive advised that wording and framing will be key to Members being comfortable to make an informed decision.

A member commented that it's a good opportunity to consider design quality but not necessarily increase costs.

Resolved:

That the Board:
1. Agrees to re-commence new business activities at an initial rate of 100 homes per year, and set an intention to increase this to 150 new homes per year from 2025/26; and
2. Approves the revised scheme appraisal assumptions that will be used to appraise the financial viability of new schemes.

All observers were asked to leave the meeting.

58. Approach to Regeneration Priorities

The Chief Executive presented the report to Board on the progress that SLT has made in selecting schemes to be considered for regeneration.

Confidential items were discussed. Further information is contained within the Confidential Minutes.

Resolved:

That the Board discussed the report and agreed to continue considering the options for regeneration.

All observers re-joined the meeting.

59. SP16 Anti-Fraud and Anti-Bribery Policy

This item was for consent with no questions raised.

Resolved:

That the Board approves SP16 Anti-Fraud and Anti-Bribery Policy.

60. SP14 Right to Buy/Acquire Policy

This item was for consent with no questions raised.

Resolved:

That the Board approves SP14 Right to Buy/Acquire Policy.

61. Transition to In-house Contractor Model for Delivery of Responsive Repair and Voids Service Update

The Director of Property Services presented the report to provide an update regarding our transition from an outsource repair and void delivery model to an in-house contractor.

Confidential items were discussed. Further information is contained within the Confidential Minutes.

Resolved:

That the Board notes the report.

62. Fire Risk Assessment Programme 2022/23 Update

The Director of Property Services presented the report to provide the Board with details of Fire Risk Assessment (FRA) actions from the 2022/23 Programme that were previously reported as complete, but remain outstanding.

He advised that following the departure of the Compliance Manager in December, concerns were raised regarding the reporting of previously completed actions. As a result, a full review took place which identified 492 actions which were overdue, instead of the reported 27. He confirmed that as at 15 February, 107 actions remain outstanding, but it is anticipated they will be completed by 31 March.

The Director of Property Services noted that in the interim, he will be managing health and safety alongside Katie Legg. The appointment of a new Compliance Manager will depend on the decision regarding the in-house contractor model as this will require a different skill set.

A member asked if it was only FRA actions which were outstanding. This was confirmed.

Resolved:

That the Board notes the report.

63. Any Other Business

Extension to Power of Attorney with Knights LLP

The Governance and Regulation Manager asked the Board to approve an extension to the Power of Attorney (POA) with Knights LLP.

She advised that the previous POA expires today, and the Sales and Home Ownership team are keen to retain the flexibility of this service for ease and speed of authorisation. The new POA will expire on 28 February 2026.

The Governance and Regulation Manager advised that a Chair's Action has been drawn up to ensure that the relevant approval is recorded.

Resolved:

That the Board approves the extension of the Power of Attorney with Knights LLP for a further two years.

64. Date of Next Meeting

The date of the next Board meeting will be **Thursday, 28 March 2024 at 6.00pm** in the Board Room at Soha's office.

Please note the drop-in session with members of SLT to discuss any reports on the agenda is between **5.00 and 6.00pm** in Meeting Room 2 this includes any IT related queries or questions.

The meeting ended at 8.15pm.

Signed:___________________________

Date: ___________