

Agenda Item 4a

THE RIVERSIDE GROUP LIMITED

A Meeting of the Board of The Riverside Group Ltd (TRGL) was held on Thursday 21 April 2016 at 9.15 am at the offices of TRGL 2 Estuary Boulevard Estuary Commerce Park Liverpool L24 8RF

Chief Executive Officer's Cover Note to the Minutes

1. Riverside has been working with customers and stakeholders in reviewing how we can continue to develop our accountability and transparency.
2. As part of this work the Group Board has agreed to publish its minutes on Riverside's external website.
3. A small number of items may be 'redacted' (blacked out) where they relate to either commercially confidential or personal information which it would be inappropriate to disclose. This is in line with our 'Transparency Statement'.
4. The minutes are detailed below, however it can sometimes be difficult to get a sense of a meeting from the 'official' record. So we've decided that I should share my reflections on the key issues discussed at the meeting.
 - The Board discussed and noted the proposals for a new model of governance for housing services and home ownership in light of a range of internal and external factors, and asked for further reflection to ensure customers are able to influence services and decision-making.
 - The Board received a number of papers which begin the reporting on performance outcomes delivered in the 2015/16 financial year.
 - The Board considered a report on the outcome of a review of One Riverside, the Corporate Plan 2014/17. A light touch review had taken into account recent and significant external and internal changes.
 - The Group Asset Management Budget for 2016/17 was agreed, with the importance of Asset Management savings noted.
 - The Board highlighted the achievements of the Group in being placed 96th in the 'Sunday Times Top 100 Not for Profit Companies to Work For', and in achieving GOLD IIP accreditation.

Carol Matthews, Group Chief Executive

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MINUTES

Present

Mr M Steinberg (Chair), Mr P H Raw (Vice Chair), Mrs S Jee (Treasurer), Ms J E Baggaley, Mr J C Dale, Mr P Forster-Jones, Mr P J Han, Mr M J Little, Ms C M Matthews and Ms S E Trueman.

In attendance

| | |
|---------------------|---|
| Mr W Macfarlane | Tenant Board Observer |
| Ms Juliet Blackburn | Director of Business Transformation (minutes 740, 741, 742 & 743) |
| Mr R Clawson | Executive Director, Corporate Services |
| Mr I Gregg | Executive Director, Asset Services |
| Mrs L Hearne | Executive Director, Shared Services |
| Mr P Hillard | Interim Director, Mersey South Division (minute 754) |
| Mr M Lawrie-Simmons | Interim Director, Business Planning & Analysis (minutes 744 & 748) |
| Ms S Powell | Observer, Chair Elect, Cumbria Divisional Board |
| Mr J Tickell | Campbell Tickell (minute 755) |
| Mr J R W Wood | Executive Director, Neighbourhood Services |
| Ms J M Vail | Senior Governance Officer (minutes). |

Apologies for Absence

There were no apologies for absence.

Declarations of Interest

There was a declaration of interest from Ms C M Matthews in respect of the Governance and Remuneration Committee recommendation regarding the Chief Executive's Remuneration (Agenda Item 17 c)

Chair's Matters

The Chair:

- a on behalf of the Board, welcomed Sue Powell, Chair Elect, Cumbria Division, as an observer to the meeting;

- b reminded board members that there would be a dinner in June 2016 to celebrate the service and mark the retirement of Mike Little, current Chair of the Cumbria Division;
- c welcomed Ian Gregg in his new role as Executive Director, Asset Services;
- d welcomed Juliet Blackburn, Director of Business Transformation, for Agenda Item 7 'Target Operating Model (TOM) Update';
- e advised that Mike Lawrie-Simmons would be joining the meeting for Agenda Items 8 'Performance Report' and 12 'Group Business Plan 2016/17 to 2020/21' and Paul Hillard for Agenda Item 18 'Governance of Housing Services - Recommendation by the Governance Sounding Board';
- f advised that James Tickell from Campbell Tickell would be joining the meeting for Agenda Item 19 'External Appraisal of Group Board and Chair'; and
- g reported that he would leave the meeting at 12 noon for an appointment and that Philip Raw, Vice-Chair would take over as Chair of the meeting. The Board therefore agreed to bring forward Agenda Item 19 'External Appraisal of Group Board and Chair' for consideration at 11.15 am.

740/16 Minutes of the Last Meetings

The minutes of the last meetings were approved and signed as follows:

- a Minutes of 11 February 2016
- b Minutes of 11 February 2016 – confidential
- c Minutes of 23 March 2016 – confidential.

741/16 Matters Arising and Action Points

There were no Matters Arising. The Board agreed the Action Points document which tracked the actions arising at Board meetings.

742/16 Chief Executive's Round Up

The Board discussed the report in detail and highlighted the following:

- i the continuing uncertainty in the external environment which was due to:
 - the uneven passage of the Housing & Planning Bill to Royal Assent (expected in April/May) which contains a wide range of provisions from Right to Buy (RTB) through to the removal of local authority nominees on Housing Association boards
 - the exemption for one year, until April 2017, in relation to capping of the Local Housing Allowance which, if removed, could affect the affordability of supported and extracare housing for some retired people so that development plans for this business stream were currently on hold;

- ii the impact of changes to the definition of the Health & Safety (H&S) Key Performance Indicator (KPI) since 2012 and actions taken and noted that only 198 of the 3,878 non-compliant properties at May 2015 remained so at April 2016 in the South and Central Division, which would all be cleared by mid-May 2016. The Board thanked John Wood and Ian Gregg for their work on the H&S KPI, emphasising that the Group's properties and customers were safer as a result.
- iii in relation to the pilot VRTB Scheme:
 - the comparison of metrics (by 'enquiry'; 'applications'; and 'application fees paid') between the 5 participating Housing Associations
 - that an unknown due to the Housing & Planning Bill not yet being enacted was implementation of the Government's compensation payments
 - that the major risk was the sale versus replacement cost and in the context of geographical variations.

The Board:

- a received and noted the letter from Riverside Foundation Trustees at Appendix 1;
- b noted the Risk Map detailed at Appendix 2;
- c noted that, further to the briefing to Group Board in February 2016, Executive Director reporting lines were changed from 1 April 2016; and
- d noted the rest of the update.

743/16 Target Operating Model (TOM) Update

A report was discussed by the Board, a presentation received and a separate minute recorded in TRGL Board Confidential Minute Book.

744/16 Performance Report

The Chair welcomed Mike Lawrie-Simmons, Interim Director of Business Planning and Analysis to the meeting. The Board received a presentation and an updated Group Consolidated Income and Expenditure account (Appendix 1) was tabled.

The Board noted the report and highlighted the following:

- a that due to the respective performance reporting and board meeting cycles the Performance Report covered the 11 month period to February 2016 and that the full year position would be reported to the next board meeting on 9 June 2016;

- b an update to the report on page 1 from 'outstanding health & safety actions are on track to be 100% compliant at year end' to '100% compliant by mid-May 2016';
- c a number of matters would impact on the final position for the 2015/16 financial accounts such as the pension closure strategy and the changes to this agreed by the Board at its meeting on 23 March 2016. It was pleasing to note the additional income from the Care and Support business whilst welfare reform adversely impacted performance but at a level lower than budgeted;
- d 
A key variable in finalising the 2015/16 account finalisation process would be the quantification of any provision associated with meeting our future liabilities associated with the TOM transformation programme; and
- e a year to date shortfall in Prospect's sales but significant recovery since January 2016 following appointment of a new Sales Director reflected in the full year forecast (Financial Risk Management at paragraph 3).

The Chair, on behalf of the Board, thanked Mike Lawrie-Simmons for his report and presentation.

745/16 Housing Services Committee (HSC) Highlights from 14 April 2016

The Board noted the headline issues from the HSC meeting which included the operational Period 12 Key Performance Indicator (KPI) scores at paragraph 2.2 and highlighted the aggregate KPI score of 87.5% compared to a target of 80% for the full year.

The Board noted that the year-end KPI scores demonstrated a step change in performance and confirmed by the Housemark report (which had been presented to the Board at its last meeting on 11 February 2016 as an Information Item) which showed improved scores for 2015/16 compared with 2014/15.

The Board welcomed the report, thanked Mike Little, John Wood and the team for their resolve and persistence in achieving continued improvements to delivery of the Group's housing services.

746/16 Employee Engagement, Best Companies and Investors in People (IIP)

The Board discussed the report which outlined the employee engagement results from the 'Best Companies' survey (which had been presented to the Board at its last meeting on 11 February 2016 as an Information Item) and the Group's IIP assessment for 2016. The Board noted their significance in relation to evidence of culture change that had already taken place in the organisation

and action planning for future culture change necessary to support delivery of the TOM.

The Board highlighted, in relation to:

- a Best Companies, the highest employee engagement levels achieved to date as, for the first time, the Group had made the 'Sunday Times Top 100 Not for Profit Companies to Work For', being placed 96th, with over 700 companies entering this category; and
- b IIP, the Group had been awarded 'GOLD' accreditation for the first time (previously SILVER) after a three-year 'rolling review' assessment following implementation of improved people strategies resulting in improved business performance.

The Board thanked the Executive Team for its leadership and the HR Team for its work in achieving GOLD IIP accreditation.

747/16

Review of One Riverside, the Corporate Plan 2014/17

The Board considered the report which presented the outcome of a review of One Riverside, the Corporate Plan 2014/17 in advance of its third and final year of delivery.

The Board:

- a noted that there had been a light touch review to take account of the most significant changes taking place in the external environment following the Government's July 2015 Budget, together with agreed internal changes which included a 1% rent reduction for 4 years, welfare changes, emphasis on Voluntary Right to Buy (VRTB), implementation of the TOM and changes to the Group's governance structures;
- b noted that the structure of the document and the values underpinning it were unchanged;
- c noted that performance at year 2 against the Corporate Plan's 3 year targets would be reported when the 2015/16 full year (period 12) KPI information was available as part of the performance reporting cycle; and
- d approved the supplementary review of the Corporate Plan 2014/17 summarised at Appendix 1.

748/16

Group Business Plan 2016/17 to 2020/21

A report was discussed by the Board, a presentation received and a separate minute recorded in TRGL Board Confidential Minute Book.

749/16 External Appraisal of Group Board and Chair

A report was discussed by the Board and a separate minute recorded in TRGL Board Confidential Minute Book.

Max Steinberg, Chair left the meeting and Philip Raw, Vice-Chair took over as Chair of the meeting.

750/16 The 2016 Rent Variation

The Board considered the report which was an update to the 'Rent Variation 2016/17' report approved by the Board at its meeting on 10 December 2015, when there was uncertainty about whether or not the Welfare Reform and Work Bill would be enacted before start of the Group's rent review processes.

The Board noted:

- a that it had not been necessary for the Chair and Chief Executive to use the powers delegated to them by the Board at its meeting on 10 December 2015, as the final legislative details had become clear before issuing notices to tenants;
- b the Group had developed a set of operational rules for each rent category which had been sent to the Regulator – the Homes & Communities Agency (HCA) to note; and
- c there was a requirement for effective communications with and for different categories of tenants and properties to clarify the rent setting rules.

751/16 Group Asset Management Budget 2016/17 – Planned and Responsive

The Board discussed the report which proposed a Group Asset Management Budget of £80.471m for 2016/17, split between Responsive Repairs and Maintenance of £41.148m and Planned Repairs of £39.323m.

The Board highlighted:

- that Asset Management savings were essential for delivery of the Group Business Plan 2016/17 to 2020/21 and the clarity of a single view of the Asset Management budget would assist the Board with financial oversight
- the improvement in the quality of the Group's data due to the property MOT project and data systems for analysis of and assurance on the budget figures
- the role of Evolve in delivering the savings and service improvements
- 2 additional risks identified were potential impacts on Evolve Facility Services Ltd's (Evolve) profitability and loss of income to the Group due to a change of approach to Voids and potential 'Void Refusals' by

- prospective customers which would be mitigated by setting up a range of cross functional working groups to implement the changes
- that, subject to approval of the budget, actual spend would be managed as necessary by the Executive Team within and up to the budget level.

The Board:

- a agreed the Group Asset Management Budget for 2016/17 of £80.471m;
- b agreed the Group Planned funding level of £39.323m allocated for 2016/17 as detailed in Table 1 of the report;
- c agreed the Group Responsive funding level of £41.148m allocated for 2016/17 as detailed in Table 2 of the report;
- d noted the Planned Stock Investment need of £189.721m over the 5 year business plan period 2016/17 to 2020/21; and
- e noted the Repairs and Maintenance investment need of £215.335m over the 5 year business plan period 2016/17 to 2020/21.

752/16 Programme Consent for Disposals of Vacant Properties in Merseyside 2016/17

A report was discussed by the Board and a separate minute recorded in TRGL Board Confidential Minute Book

753/16 Bromley Regeneration Proposal

The Board considered the report which outlined the outcome of an initial feasibility study and made proposals to take the Bromley project forward as part of the London Asset Review agreed by the Board at its meeting on 10 December 2015.

The Board noted that the Group owns 296 affordable homes to rent at 2 sites in Bromley, London at Calverley and Pike Close which is of a low standard and that the aims for their regeneration were to create a more sustainable asset, use the sites better, create another 471 homes including 94 affordable homes and contribute positively to the local environment.





The Board

- a approved that the Group should seek to redevelop the sites at Calverley and Pike Close in Bromley, London;
- b agreed to declare the sites as Regeneration Schemes to avoid the risk of VRTB applications disrupting plans;
- c approved the recruitment and appointment of a project management team, including Programme Manager, senior Project Development Manager and Communications Officer, to drive the detailed development and procurement plans for this scheme and subsequent sites in London;
- d authorised the continued feasibility expenditure on Calverley and Pike Close up to £400,000 to carry out a procurement exercise to identify a partner developer/contractor, these costs to include an element of the team set-up costs approved in c above;
- e noted that after receipt of the contractor proposals, Riverside would refer back to the Commercial Ventures Group to consider the options to retain all the development cost, risk and return or take a land value for the market units and that the views and recommendations from the Commercial Ventures Group would then be presented to the Board for approval.

754/16

Recommendations of the Governance & Remuneration Committee (GRC)

- a Proposal for Riverside Care and Support Audit Committee to be stood down and removed from the Governance Structure

The Board considered the report and approved the recommendation from the GRC that:

- i the Riverside Care and Support Audit Committee is stood down and removed from the Governance structure with immediate effect;
- ii the new Terms of Reference for the Riverside Care and Support Board at Appendix 2 of the report are approved, which have been amended according to the recommendations made by GRC; and

iii the Riverside Care and Support business offers for consideration a Board Member for appointment to the Group Audit Committee (GAC), subject to approval from the GRC.

b Remuneration of Members of the Group Audit Committee

A report was discussed by the Board and a separate minute recorded in TRGL Board Confidential Minute Book.

c Chief Executive's Remuneration

The Board received and discussed a verbal report and a separate minute recorded in TRGL Board Confidential Minute Book.

755/16

Governance of Housing Services – Recommendation by the Governance Sounding Board

Opening remarks were made by Paul Hillard and Mike Little around the work of the Sounding Board which was commissioned by the GRC to reflect on a new model of governance for housing services and home ownership in light of the direction of travel of the TOM and a range of internal and external factors.

The Board discussed and challenged in detail the report recommended by the Housing Services Committee (HSC) which proposed a future governance model for housing services to support the TOM with the following key features:

- a single national committee of TRGL Board with a working title of 'Neighbourhood Services Committee' (NSC) to replace the current HSC and 5 Divisional Boards and include governance of Riverside Home Ownership (RHO)
- membership of the NSC to be determined by skills and competency and neither representative nor geographically based and composed primarily of non-executives with an agreed customer involvement
- the NSC's remit to include approval of key business strategies, policy, operational performance including service standards, budget setting and risk management
- delivery of savings of £145k per annum compared with the current housing services governance structure.

The Board noted that, as a model only at this stage, the proposals set out a direction of travel for change and required further work to develop the themes outlined in the report including, for example, customer involvement and shareholding membership.

The Chair invited contributions from Board Members who expressed concerns and sought clarification of the following proposals in paragraph 7 of the report:

- that, as the terms of reference for Divisional Boards provide for tenant representation, the effect of their removal from the model would be also to remove one form of customer involvement in governance and, although the report proposed a review of the Group's resident

involvement strategy to address this issue, tenants were concerned that there would be a weakening of customer involvement, including by a possible future emphasis on digital communications as the predominant form of customer involvement

- the remit of the NSC, set out in paragraph 7.3, included approval of key business strategies which appeared to be in conflict with the remit of TRGL Board.

In response the Board discussed at length and confirmed:

- that the principle of future meaningful and effective customer involvement and co-regulation is central to the Group's governance
- that it was recognised that customer involvement needed to be modernised as the current structure is not fit for purpose but that effective customer involvement could not be achieved by digital means alone
- there are 4 linked forms of customer involvement: engagement via the Tenants and Residents Federation; scrutiny via Tenant Inspectors and scrutiny structures; customer intelligence via digital means; and membership of the NSC
- that customer involvement also needed to provide value for money (VFM)
- that it is necessary to ensure alignment with the Group's Scheme of Delegated Authority and that paragraph 7 be reviewed in the context of the Group's governance as a whole so that it is clear what are the responsibilities of each body in the structure.

The Board highlighted the key risks and mitigations of the proposals as follows:

- i the requirement to continue to deliver robust governance which would be mitigated by testing the model and appointment of a 'critical friend' (the Group has a G1 regulatory rating at present);
- iii the requirement to continue to ensure that local stakeholder views, performance and service delivery are accounted for and transparent, which would be mitigated by confirming stakeholder engagement as an executive responsibility and the TOM design which includes neighbourhood planning;
- iii potential loss of the skills and knowledge of existing Divisional Board members which will be mitigated by appointments to the NSC being on a skills and competency basis;
- iv poor decision-making and administrative complications due to the time lag between implementation of the new organisation design and the new governance model which would be mitigated by ensuring that the governance change is effected at pace and the issue of guidance on transitional arrangements; and

- v the requirement to negotiate with Carlisle City Council on amending the agreement to retain a Divisional Board (on merger of Carlisle Housing Association with the Group in 2009) but that, if agreement could not be reached, this would not cause the proposed governance model to fail.

The Board noted the recommendations of the HSC and:

- a agreed in principle to the Governance Model for the social housing business based on the establishment of one Committee and the direction of travel set out in paragraph 7 of the report (noting that this proposal would mean that the current HSC and Divisional Boards cease to exist), that work with tenants and other relevant parties continues in order to bring back detailed proposals to the HSC meeting on 30 June 2016 and subsequent TRGL Board meeting;
- b agreed that Riverside's Governance Framework is developed to support the proposed model and that appropriate external advice/support is obtained in this process to ensure that regulatory compliance and best practice is maintained;
- c noted that part of the development of the Governance Framework will be the consideration of how Riverside's shareholding membership is determined in the future;
- d agreed that there is a review of Riverside's resident involvement strategy to ensure that robust mechanisms to allow tenants to meaningfully influence decision-making and services, as set out in paragraph 8 of the report, are developed alongside the Governance Framework.

The Chair thanked the Sounding Board led by Mike Little, Paul Hillard and all those who had contributed to the consultations for their work on the future governance model for housing services.

756/16

The Modern Slavery Act Statement

The Board considered the report and noted that the Modern Slavery Act requires UK organisations to address issues of modern slavery and human trafficking in their businesses and supply chains and that those with a turnover of over £36m publish a slavery and human trafficking statement on their website.

The Board:

- a agreed deletion of the wording 'is pending approval and' from the paragraph headed 'Recruitment' on page 3; and
- b approved the statement and directed that it is signed by the Group Chief Executive as a Board member.

757/16 Certification of Compliance with Governance & Financial Viability Standard

The Board discussed the report which summarised the work undertaken to provide assurance to the Board that the Group complies with the HCA 2015 Governance and Financial Standard.

The Board:

- a noted the report;
- b noted that the GAC had considered some aspects of the work; and
- c resolved that the Board will certify in the Group's annual report and accounts that, as a registered provider, TRGL complies with the HCA's Governance and Financial Viability Standard 2015.

The Board thanked Lynn McCracken, Director of Legal Services and all members of the team for their contributions to the delivery of what had been a significant piece of work.

758/16 Annual Review of the Scheme of Delegated Authority

The Board discussed the annual review of the Scheme of Delegated Authority.

The Board:

- a noted that the Scheme of Delegated Authority had been submitted to the GAC meeting on 17 March 2016 whose comments were now incorporated;
- b approved the Scheme of Delegated Authority;
- c noted that the Scheme will be reviewed ahead of each wave of change brought by the Target Operating Model; and
- d noted that proposed changes to Part 1 (Governance) will continue to be brought to the Board for approval, however proposed changes to Part 2 (Delegation of Day to Day Management to the Chief Executive) will only be brought to the Board for approval where considered material.

759/16 Record of Decisions of the Chair under the Chair's Action Procedure; Housing Association Funding plc (HAF) - Proposal to Amend the Loan Agreement

The Board noted the decision of the Chair to approve the detailed resolution in the form attached.

760/16 Amendment to the Housing Association Funding plc (HAF) Loan

The Board noted that the report had been considered by the Treasury Committee.

The Board approved the attached resolution which provided for inclusion of a Spens clause in the amendment proposal to be made to the HAF bondholders, in addition to the approval provided via Record of Decisions of the Chair under the Chair's Action Procedure on 26 February 2016 (minute 759 above).

761/16 Revision of the Group Treasury Policy

The Board noted that the report had been considered by the Treasury Committee.

The Board approved the changes to the Group Treasury Policy.

762/16 Annual Treasury Strategy

The Board noted that the Treasury Committee reviewed the proposed Annual Treasury Strategy at their 30 March 2016 meeting and recommended that the Annual Treasury Strategy be approved.

The Board approved:

- a the Riverside Group Limited Annual Treasury Strategy for 2016/17; and
- b that for 2016/17 RBS/Nat West are treated as an exception to the counterparty credit limits specified in the Group Treasury Policy.

763/16 Restatement of TRGL/Prospect Inter-Co Loan Agreement

The Board noted that the agreement had been considered by the Treasury Committee.

The Board approved the attached Amendment and Restatement Deed and Restated Facility Agreement.

764/16 Principal Accounting Policies – Update for FRS102

The Board noted that, in advance of production of the Financial Statements for 2015/16, the proposed changes had been reviewed by KPMG, the Group's auditors and the GAC.

The Board approved the changes to the principal accounting policies.

765/16 Information Items

The Board noted the following items:

- a Update on Riverside Care and Support Managed Agents - **Confidential**
- b Update on Care Quality Commission (CQC) Registered Care Services
- c Peer Group Comparison – 2015 Results

- d Quarterly Treasury Report
- e Risk Map Update: The Board highlighted that the Risk Map (attached as an appendix to the 'Chief Executive's Round Up') had been debated by the GAC at length who had given excellent and provoking challenge on a number of risks and their position on the Risk Map so that changes had been made.
- f - i Riverside Executive Directors' Minutes – **Open and Confidential** - 23 February 2016 and 22 March 2016
- j Housing Services Committee Minutes – 4 February 2016
- k Group Audit Committee Minutes – 17 December 2015
- l Scotland Committee Minutes – 4 March 2016
- m - n Prospect (GB) Ltd Board Minutes – **Confidential** – 29 February 2016 and 21 March 2016
- o Evolve Facility Services Ltd Board Minutes – **Confidential** – 29 January 2016

766/16 Any Other Business

There was no other business.

767/16 Date and Time of Next Meeting

The next meeting was fixed for Thursday 9 June 2016 at 10 am.

Papers attached to the Minutes and Minute Numbers

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| 741 | |
| 742 | 754 a (b & c confidential) |
| 743 confidential | 755 |
| 744 + tabled | 756 |
| 745 | 757 |
| 746 | 758 |
| 747 | 759 |
| 748 confidential | 760 |
| 749 confidential | 761 |
| 750 | 762 |
| 751 | 763 |
| 752 confidential | 764 |
| 753 | 765 a – o |