

## LEEDS FEDERATED HOUSING ASSOCIATION

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### MINUTES OF THE BOARD OF MANAGEMENT MEETING held on 4<sup>th</sup> October 2022

**Present:** Claire Stone (CS) Chair  
Martin Warhurst (MWa)  
Jaedon Green (JG)  
Robin Machell (RM)  
Steve Dungworth (SD)  
Innocent Moyo (IM)  
Dedra Obeng Kwakye (DOK)  
Rob Young (RY)  
Chris Simpson (CSi)

**In attendance:**

Matthew Walker (MW) Chief Executive  
Stephen Blundell (SB) Operations Director  
Jason Ridley (JR) Finance and IT Director  
Megan Henderson (MH) Head of Corporate Services  
Kirsty Morgan (KM) Head of Finance  
Kate Suggitt (KS) Executive Assistant (minutes)

**Observing:**

Shubash Miah (SM)

<b>0</b>	<b>Post AGM Business – Chairs / Committees</b>  <b>22.092 Board:</b> <ul style="list-style-type: none"><li>- <b>Elected the Chair of the Board</b></li><li>- <b>Elect Chairs of the Operations, Audit and Risk, Development and Governance and Remuneration Committees</b></li><li>- <b>Approved the Audit &amp; Risk Committee membership</b></li><li>- <b>Approved the Operations Committee membership</b></li><li>- <b>Approved the Development Committee membership</b></li><li>- <b>Approved the Governance &amp; Remuneration Committee membership</b></li><li>- <b>Noted the membership and Chair of the sub group</b></li><li>- <b>Noted correspondence arrangements for the Board</b></li></ul>	
<b>1</b>	<b>Conflicts of Interest</b> There were none declared	
<b>2</b>	<b>Apologies</b> Apologies received from Kim Brear	
<b>3</b>	<b>Risk Review of Board Pack</b> <b>22.093</b> JR provided an overview of the current economic risks facing the sector and how these may impact Leeds Fed specifically. JR	

outlined the relevant risks which related to these factors as well as outlined the association's position in terms of its relatively strong financial capacity. Noted economic factors include inflation, interest rates, weak sterling, weak economic growth, reserve bank interventions, stock and bond market turmoil and political uncertainty.

**22.094** The government have announced huge tax cuts in its mini budget with no explanation of how these will be funded. The implication being there are likely to be spending cuts and a return to 'austerity' measures.

**22.095** Rent cap consultations were announced at 5% with 3% and 7% as options replacing the CPI plus 1% rent standard. There is even the possibility of a complete rent freeze.

**22.096** JR outlined the risk framework used by management and board to monitor all the above considerations noting approximately 8 risks that directly related with more indirectly related to the current economic situation. On a monthly basis, all these risks are reviewed by LT alongside the mitigating controls and control performance measures which lead to proposed changes in the risk register that are included within the Risk review paper at each board meeting.

**22.097** JR outlined areas of impact and how the association is managing them.

**22.098** JR noted that inflation will increase costs faster than revenues are increasing under the anticipated rent cap which will reduce operating margins. Interest rates are going to impact refinancing and also customers who are looking to buy Shared Ownership properties. Cost pressures will affect future development scheme viability and there is ongoing political instability which affects certainty and timing of government policy. Stock and Bond market turbulence may well have an impact on Pension fund valuations and require additional deficit reduction contributions.

**22.099** JR confirmed that the Association is starting from a strong financial position: it is overachieving against margin year to date with a strong balance sheet. The association will be exposed to increased interest cost on draw downs on its revolving credit facilities (RCF), refinancing of the RCFs in 2026/27 as well as any new funding requirements.

**22.100** Commercially Sensitive

**22.101** Development assumptions are being reviewed and tested to reflect the impact cost inflation and interest rate increases this will help determine which develop schemes remain suitable to progress.

<p><b>22.102</b> Prudent assumptions, reviewed by Audit and Risk Committee are used in business planning. Single and Multi variate stress testing is undertaken on multiple scenarios which also consider the range of mitigations set out in the association's Resilience plan. JR also confirmed that management are able to adjust spending priorities to maintain covenant compliance. He concluded that the Association is in a reasonable position of financial strength but that we not complacent and are carefully monitoring and planning.</p> <p><b>22.103</b> RY queried whether we have had any indication from the sector in general about rent collections and how these are likely to be affected. JR confirmed the Association is being as prudent as possible in its planning assumptions about rent arrears, bad debts and voids as well as closely monitoring early indicators and stress testing even more severe scenarios.</p> <p><b>22.104</b> SD queried about what we do when our risk appetite is exceeded and what is the process to get back to within the board risk appetite. JR confirmed that where we identify risks as exceeding the board's appetite this has been due to external factors outside of management control. The number of risks where this applies has increased and been discussed with board over recent months. MW acknowledged it is an uncomfortable position, and increasingly so the more risks there are falling outside of the appetite. Within the sector, people seem to be accepting that the risks are falling outside of the appetite rather than changing the appetite. He confirmed that these are unprecedented times and we have never been in this position previously. It was agreed that this will form part of the strategic discussions at the Board away day in January. JG added that it was right that the situation should feel uncomfortable, it is a very difficult market but didn't think it right to change the level of risk appetite but should consider the responses.</p> <p><b>22.105</b> MWa queried how the Association would deal with a complete rent freeze. JR confirmed that KM has done an analysis of a complete rent freeze for 2 years along with the other scenarios. He also confirmed that the Association would be compliant with MRI adjusted covenants but margins would fall to around 15% by 26/27 under that scenario.</p> <p><b>22.106</b> CS confirmed that this debate will need to occur at every meeting from now on, along with a strategic discussion at the Board away day. It is also important for the Board to keep sight of KPI's which could indicate that things are shifting.</p> <p><b>22.107</b> <b>Agreed Action: MW and JR to incorporate risk into the January Away Day discussions taking particular account of the number of risks exceeding risk appetite.</b></p>	<p>MW/JR</p>
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<p><b>22.108 Agreed Action: Operations Committee to consider any emerging trends identified by the teams as part of its review of quarterly performance.</b></p> <p><b>22.109 Board:</b></p> <ul style="list-style-type: none"> <li>- <b>Noted the paper and approves the proposed changes to the Risk Register as detailed in section 2.</b></li> <li>- <b>Confirmed that five existing risks currently exceed the board’s stated risk appetite for the relevant activities as detailed in section 3</b></li> </ul> <p><b>Noted the current mapping of the strategic risks to the board appetite for different categories of activities in section 5.</b></p> <p><b>4 Items for Decision</b></p> <p><b>4.1 Board and Committee Dates for 2022 – 24</b></p> <p><b>22.110</b> MH introduced the dates, explaining there is also the 4<sup>th</sup> and 5<sup>th</sup> November board weekend which had been missed from the update but is now confirmed.</p> <p><b>22.111</b> IM queried timings of the Assets and Investment committee and that 3pm isn’t an ideal time for people in work. MH explained the arrangement previously agreed for Development and Operations Committee and confirmed that with the change to a broader Asset and Investment Committee the time may change to allow for the level of discussion that may be needed. MH confirmed that IM’s comments will be taken on board when times for the new format were known in more detail.</p> <p><b>22.112 Board approved the Board and Committee dates 2022-2024</b></p> <p><b>4.2 Revised Committee Terms of Reference</b></p> <p><b>22.113</b> SB explained that these follow from the Governance review carried out by Angela Lomax, the suggestions that came out of that, and aspirations that had been identified prior to the Governance Review. He has worked closely with the Chairs to develop the new terms of reference.</p> <p><b>22.114</b> JG suggested some parameter setting for the A&amp;I Committee to help give some guidance for the team and for the c Committee to know when additional approval is needed.</p> <p><b>22.115</b> SBI confirmed that the development standard assumptions were due for review and consideration is being given to current conditions. The aim is to develop a methodology which balances exposure to risk across the programme.</p> <p><b>22.116 Board:</b></p>	<p><b>SBI</b></p>
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- **Approved the revised terms of reference for the Operations Committee**
- **Approved that the Development Committee be replaced with the Asset & Investment Committee with effect from 1st November 2022, with membership and chairing arrangements otherwise unaltered**
- **Approved the proposed terms of reference for the Asset & Investment Committee**

## **5 Performance**

### **5.1 Performance Update**

**22.117** SB presented the report confirming that this report presents the overall position as of the end of July. Universal scoring of amber, targets are not being fully met with the reasons for this being outlined in the paper. Doing well with delivery of the planned programme, a significant part of that is APS. We are able to obtain direct information from them which shows no future concerns currently.

**22.118** The Association is fully green on building safety. Quarter two results for customer satisfaction are due next week. The current results are still not within target but does reflect the national median across the sector.

**22.119** CSi queried where Board got reassurance from, SB confirmed full reports go to Ops Committee but don't come to Board although he can consider amending the format to do so. JG suggested just including a one- line statement on the report to confirm the reports have been seen and ratified by Ops Committee.

#### **22.120 Board:**

- **Noted current levels of performance**
- **Approved the commentary provided in the report**
- **Approved actions to address underperformance**

### **5.2 Financial Performance Report**

**22.121** KM confirmed that operating margin is currently at just over 25% which is ahead of budget. Year to date performance is strong however KM confirmed that expected changes at the mid-year update due to forecasted increased costs and reduced development rental and shared ownership income will have an adverse impact but that the Association will still be compliant with covenants.

**22.122** RY asked if there were concerns about costs in any particular areas as maintenance had been highlighted previously. KM confirmed that maintenance was still a concern but there were a variety of areas including overheads that are impacted.

**22.123 Board noted the financial results to 31st August 2022**

6	<b>To Note</b>	
6.1	<b>CEX Report</b>	
	<p><b>22.123</b> MW confirmed there has been a lot of stakeholder activity and confirmed that he was recently invited to speak at the RoSH conference. He also confirmed that following a conversation with Angela Lomax, he has amended the format of the reporting of Regulatory Returns and this now includes due dates and sent dates in order to give Board further assurance of compliance.</p>	
	<b>22.124 Board noted the report</b>	
6.2	<b>Assets and Liabilities Register Report</b>	
	<p><b>22.125</b> JR commented that this was provided for board assurance following the recent internal audit and was also important from a regulatory perspective.</p>	
	<p><b>22.126 Board noted the status of the ALR including the revised RALF policy which sets out the ongoing maintenance and quality assurance activities which will be included within the annual self-assessment against regulatory standards reported to Board.</b></p>	
7	<b>Board Minutes</b>	
7.1	<p><b>22.127 Minutes of the Board meeting held on 19 July 2022</b> Were approved as an accurate record</p>	
8	<b>Matters Arising</b>	
8.1	<p><b>Matters arising from 19 July 2022</b> <b>22.128</b> These have all been actioned</p>	
8.2	<p><b>Matter arising rolling agenda 22/23</b> <b>22.129</b> These were noted</p>	
9	<b>Minutes for Information</b>	
9.1	<p><b>Draft Health and Safety Committee Minutes 5 September 2022</b> <b>22.130</b> These were noted</p>	
9.2	<p><b>Audit and Risk Minutes 5 July 2022</b> <b>22.131</b> These were noted</p>	
9.3	<p><b>Draft Operations Committee Minutes 6 September 2022</b> <b>22.132</b> SB confirmed that the Ombudsman have updated the Complaint Handling Code and it is now necessary to have a board member identified as the lead for this area.</p>	<b>SBI</b>
	<p><b>22.133 Agreed Action. SB to seek a volunteer for this role and send a note to members if necessary.</b></p>	
	<b>22.134 Board noted the minutes</b>	

<b>10</b>	<b>Any Other Business</b> There was no further business	
<b>11</b>	<b>Date of next meetings:</b> Board Meeting: 22 November 2022, 5pm Board Development with Claire Maxwell: 4/5 November 2022 Board Strategic Away Day: 21/22 January 2022 Board Meeting: 28 March 2022, 5pm	