

PUBLIC MINUTES

of the Board meeting
held at 9.30am on Thursday 21 June 2018 at
Windsor House, London

Present:

Simon Dudley	Chairman
Nick Walkley	Chief Executive
Richard Blakeway	
Simon Dow	
Stephen Bell	
Keith House	
Teresa O'Neill	

In attendance:

Tom Walker	Deputy Chief Executive & Director of Strategy
Chantal Geall	Chief Risk Officer
Gordon More	Chief Investments Officer
Bayo Dosunmu	Executive Director, Homes England Development
Stephen Kinsella	Executive Director – Land
Isabella Freeman	General Counsel
Jane Castor	General Manager Finance & Performance
Amy Casterton	Chief of Staff
Fiona MacGregor	Director of Regulation
Mike Wiltshire	General Manager – Strategy and Performance
Jackie Jacob	General Manager - Housing Programmes
Ben Jenkinson	Head of Product Development

Items 9-15

Ceri Smith, UKGI	Observing on behalf of MHCLG
------------------	------------------------------

Paddy Roche	Boston Consulting Group
Nick South	Boston Consulting Group

Mary Carter	Board Secretary
-------------	-----------------

Apologies

01/06/18 Apologies were received from Edward Lister.

Item 1 Minutes of the Previous Meeting

02/06/18 The minutes of the Board meeting on 24 May 2018 were agreed as a true record, with two minor additions.

Item 2 Matters Arising

03/06/18 *Help to Buy* – The visit to the Target offices on 22 June 2018 had been postponed to September 2018.

04/06/18 Members NOTED the remaining matters arising.

Item 3 Annual Report and Accounts

05/06/18 The Chair of the Audit & Risk Committee reported that the Committee had considered the draft Annual Report and Accounts at its meeting immediately prior to the Board. The NAO had not provided its final audit opinion at that meeting, since their audit work to date had highlighted an increased level of inherent risk in grant recognition before the financial year end and they intended to carry out further work to obtain sufficient assurance in this area. This had led to a delay in the completion of the NAO audit, but subject to successful completion of this additional work, they had confirmed that they anticipated being able to conclude prior to the summer Parliamentary recess. Based on work to date, NAO anticipated that they would be recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2017-18 financial statements with an unqualified audit opinion, without modification.

06/06/18 The Committee had asked NAO to make clear in their opinion whether their concerns over grant recognition pointed to a programme design issue or a control issue. The Affordable Housing Programme had been designed as a self-certified programme, with a compliance audit following after year end.

07/06/18 The Audit & Risk Committee would hold a special meeting on 6 July 2018 to consider the final audit opinion, and he would write to the Board after that meeting to confirm whether an unqualified audit opinion had been forthcoming.

08/06/18 The General Manager Finance & Performance gave a presentation on the Annual Report and Accounts for 2017-18. Net Expenditure had increased to £629m, from £364m in 2016-17. Group net assets had increased from £8.1bn at 31 March 2017 to £11.2bn at 31 March 2018. These figures would increase once the Autumn Budget announcements were incorporated. This meant that the Agency's net risk exposure was growing, and demonstrated the importance of the need for a properly resourced operating model and the Homes England Development programme. Staff and other administration costs were less than 10% of total operating expenditure, and should be properly resourced.

09/06/18 Members confirmed that this risk exposure was within the Board's appetite for 2017-18, but recognised that more work was needed in future. They asked what progress had been made in recruiting new staff.

10/06/18 The Chief Executive reported that new staff were now arriving at the rate of 5-8 per week..... The Agency had just received permission to employ external recruiters for certain key posts.

11/06/18 The General Manager Finance & Performance drew members' attention to the Help to Buy figures.

12/06/18 IFRS 9 would become effective for the 2018-19 reporting period. However, the Agency needed to disclose the effect of the standard in the 2017-18 Financial Statements and so an estimate had to be performed this year. This

showed that the effect would not have been significant in 2017-18, but the introduction of a credit loss impairment model would have an increasing impact over time.

- 13/06/18 The Agency had introduced statutory fees in relation to the regulation of Registered Provider (RPs) during the year. Fee income was charged from 1st October 2017 and comprised annual fees and initial registration fees. A rebate was due to RPs, since the total costs of the service were lower than the fee charged.
- 14/06/18 The Chief Executive congratulated the Regulation and Finance Directorates on the successful implementation of the Fees regime for Registered Providers. He noted that all the areas of risk that had been identified as being of concern the previous year had now been managed.
- 15/06/18 The Chair of the Audit & Risk Committee commended all involved with the financial reporting, risk management and internal audit processes for the hard work undertaken, and their achievements in what had been a very challenging period for the Agency. He confirmed that the Audit & Risk Committee endorsed the annual report and accounts to the Board, and recommended that they should be approved, subject to resolution of the final points raised by the NAO regarding grant recognition before year end.
- 16/06/18 The Board APPROVED the Home and Communities Agency's Annual Report and Financial Statements for the year ended 31 March 2018, subject to the receipt of a final unqualified audit opinion. They DELEGATED the Chief Executive, in consultation with the Chair of Audit & Risk Committee, to sign the accounts following the receipt of an unqualified final audit opinion from NAO.

Item 4 ARC Annual Report to Board

- 17/06/18 The Chair of Audit & Risk Committee presented the Audit and Risk Committee's Annual Report to the Homes England Board, to assist the Board in assessing the assurance work completed during the year which supported the Governance Statement and the rest of the Annual Report and Accounts. The Committee had operated under pressure, with 2 members appointed on an ad hoc basis to provide a quorum in January 2018, and total committee membership equalling the quorum since that time. While he was satisfied that the Committee had been able to provide adequate challenge and scrutiny over the year, this pressure on membership had not been ideal.
- 18/06/18 Based on the work of the Committee during the year it was able to conclude that assurances provided were reliable and sufficient, and covered a sufficiently broad range of the Agency's activity with particular focus on key areas. The assurances provided, and the work of the Committee, indicated that the overall control environment had operated in a satisfactory manner during 2017/18. However, given the pace at which the Agency needed to grow it was imperative that the leadership across all three lines of defence was built out. Without such substantial changes and investment, the committee considered that the Agency would be at risk of acting without its risk appetite in 2018/19.
- 19/06/18 The Terms of Reference for the Committee included the provision for a yearly

meeting of the members with NAO. There had been a brief discussion at the end of the 12th June meeting but members agreed that this had not fully met the requirement. The Committee would therefore hold a private session with NAO after its meeting in September 2018.

20/06/18 The Board NOTED the ARC Annual Report.

Item 5 Modern Slavery Statement

21/06/18 The Chief Risk Officer introduced the report which sought Board's agreement to publish its annual Modern Slavery Statement. The requirement to publish a Statement was introduced in 2016 and this was the third to be published by Homes England. This year the approach had been to widen risk assessment across business lines, benchmark the approach with other organisations with similar issues and engage with leading anti-slavery organisations. For 2018/19 the Agency was changing its professional panel framework agreements and terms of engagement to ensure that its compliance and monitoring surveyors were obligated to report suspicious activity or welfare concerns.

22/06/18 Members welcomed the revised approach, in the context of the Agency's growing risk exposure through building supply chains. They suggested two minor amendments to the text of the Statement.

JE

23/06/18 The Board APPROVED the 2017/18 Policy and Statement.

Item 6 CEO Update

24/06/18 The Chief Executive updated members on key developments since the last Board meeting.

25/06/18

26/06/18

27/06/18 Homes England was also closely involved in work to take forward growth in the Oxford-Cambridge corridor.... MHCLG and Homes England were jointly sponsoring a programme of engagement with local councils to understand the issues. This included a series of roundtables with local Chief Executives and Leaders over the coming month. He would send a note to members expanding on the points being explored at these meetings.

NW

28/06/18 The Board NOTED the update.

Item 7 Performance Report

29/06/18 The General Manager Finance & Performance reported that the revised delivery targets discussed at the last Board meeting were in the process of being agreed with MHCLG, and the admin budget had been recommended to Ministers. When business cases were approved by MHCLG/HMT in relation to the new funding announced at Autumn Budget, budgets would be increased and the delegation to spend against these budgets would be granted, and delivery targets for the new funding would also be agreed. All current year targets were currently forecast to be met or exceeded but, with the exception

of Market Completions, all targets were behind forecast for the end of May. New management information had been provided for Help to Buy, and the MI pack would be developed further. She was aiming to introduce a quarterly close process from the end of June.

30/06/18 Members welcomed the enhancements to the report. They asked for a note explaining how targets were set historically and how this could be improved. **JC**

Item 8 Regulation Update

31/06/18 The Director of Regulation updated members on key issues affecting Regulation, including casework and progress with Transition, where Regulation were in detailed discussions with MHCLG about the mechanics for signature and commencement of the Order. Agreement had been reached on all outstanding principles in relation to the SLA and final drafting was expected to be completed by end of June. Good progress was being made in finalising a range of governance documents.

32/06/18 The consultation on the TUPE process has been formally launched and would run for 8 weeks, with the option to extend if required. The LGPS Administering authority meeting was on 21 June and the HCAPS Trustees meeting was on 26 June, where each would take a decision whether to admit RSH.

Item 9 Committee Minutes

33/06/18 The Board noted the minutes of the Programmes & Projects Committee meeting held on 7 June 2018, the Credit & Risk Committee held on 7 June 2018, and the Audit & Risk Committee meeting held on 12 June 2018.

Item 10a BCG Re-Commissioning

34/06/18 The Chief Executive sought Board's agreement to extend the contract with Boston Consulting Group to support the delivery of the new Operating Model.

35/06/18

36/06/18 The Board AGREED to commission Boston Consulting Group to develop the Operating Model. **BD**

Item 10b Board Involvement in Work Programme

37/06/18 BCG gave a presentation setting out their proposed approach to obtaining Board inputs into the work to produce key documents and critical decision points relating to: Operating Model, Governance, Strategic planning & KPIs; and Risk management.

38/06/18 The Board agreed that members should take part in smaller groups to consider all these topics, with the target for sign-off by the full Board on 27 September 2018. They noted that final sign off of the new 5 year Strategic Business Plan would need to take place by correspondence in August 2018, since there was no Board meeting that month.

39/06/18 The Board AGREED the proposed approach.

Item 11 Housing Deals

40/06/18 The General Manager - Housing Programmes updated members on progress with the eight Strategic Partnerships that were under development to secure ambitious additional housing supply. It was anticipated that the deals could accelerate affordable starts up to 2021 from a baseline of 9,000 to over 23,000, and overall starts from 34,000 to 57,000. There was the potential to have a much greater impact if the government signed up to provide future certainty for further starts over 10 years. The 8 deals would be announced at the CIH Conference the following week.

43/06/18 The Board NOTED the report, and asked the General Manager - Housing Programmes to pass on their congratulations to all involved.

Item 12 Equity Governance Paper

44/06/18 The Head of Product Development updated members on progress towards the launch of the Equity Management Executive (EME) and requested that the Board should formally approve the establishment of this committee. A strategic delegations schedule (Delegations Framework) would be presented to Board for consideration in due course.

45/06/18 The Board APPROVED the establishment of the EME as an executive committee, accountable to Programmes & Projects Committee.

46/06/18 The Head of Product Development had also tabled a paper under Any Other Business, seeking delegations to manage Project Victoria.

47/06/18 The Board APPROVED the proposed delegated authorities to EME for Project Victoria; and NOTED that officers would come back with a proposed Delegations Framework to enable EME to manage the wider equity portfolio in due course.

Item 13 Public Land Transfers

48/06/18 The Executive Director – Land informed members of developments regarding the Public Land Programme. Homes England had entered into a Memorandum of Understanding (MoU) with the Defence Infrastructure Organisation (DIO) to work on Ministry of Defence (MoD) land to deliver strategic sites for housing.

49/06/18

50/06/18 Members discussed the ... arrangements.... They welcomed the MoU and looked forward to further such arrangements in future.

51/06/18 The Board NOTED the update.

Item 14 Pensions Contribution Paper

52/06/18 The Executive Director, Homes England Development sought Board approval for the revised schedule of employer contributions for the Homes and Communities Agency Pension Scheme. The statutory completion date for the valuation was 30 June 2018.

53/06/18 Board Members noted the phased schedule of employer contributions and the Trustees' decision to review the contributions on a yearly basis; and noted that work was underway to reform the Scheme in line with the Public Service Pensions Act and to mitigate increases in the employer contributions rate.

54/06/18 The Board APPROVED the Employer to sign the Schedule of Contributions, and the Statement of Funding Principles, before the next Trustee Meeting on 26 June 2018.

Item 15 Any Other Business

55/06/18 There was no other business.

Date of next meeting: 26 July 2018.

Chairman's signature:

Date:

WITHHOLD DRAFTING