

**THE RIVERSIDE GROUP LIMITED**  
(Registered number 30938R)

A Meeting of the Board of The Riverside Group Ltd (TRGL) was held on  
Thursday 23 April 2015 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 received a number of papers which begin the reporting on our performance outcomes delivered in the 2014/15 financial year. This will continue for the next series of Board meetings through to July.
  - As part of approving the Group Business Plan for the next five years, the Board spent some time considering how the plan has been 'stress tested'. This exercise looks at the stresses and scenarios which could affect Riverside, how they could translate into financial challenges, and how we could mitigate against them.
  - The Board approved a stock investment programme of nearly £40m for 2015/15.
  - The Board thanked Graham Earney for 28 years of loyal, diligent and commendable services to ECHG and Riverside.

Carol Matthews, Group Chief Executive

## 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 J Han, Mr M J Little, Ms C M Matthews and Ms S Trueman.

In attendance were Mr R Clawson, Mrs L Hearne and Mr J R W Wood (staff) and Ms D Hughes (Assistant Company Secretary). In attendance for part of the meeting were Mr A Coghill and Mr H Owen (staff).

### Apologies for Absence

Apologies for absence were received from Mr P Forster-Jones.

### Declarations of Interest

There were no declarations of interest.

#### 617/15 Minutes of the Last Meeting

The minutes of the meeting held on Thursday 12 February 2015, including separate confidential minutes, were approved and signed.

#### 618/15 Matters arising from the Minutes

- a Minute 601/15a – RECHG Name Change and Extension of Service of Chair: The Board noted that the Anglican Church, having agreed in principle to the name change (as reported at the last meeting), was currently consulting with the Baptist Union of Great Britain; and that the positive discussions held with the Anglican Church were continuing with the aim of agreeing a timeframe. If unsuccessful, it was noted that it would be helpful if the Group Chair could write to the Archbishop of Canterbury and if the RECHG Chair could remain involved, following the end of his term of office on 31 May, in order to bring things to a successful conclusion.
  
- b Minute 602/15a – Review of Board/Committee Member Skills and Appraisal: It was noted that appraisals were underway and on target to meet the timescales agreed at the last meeting.

#### 619/15 Chief Executive's Round Up

The Board expressed thanks to Graham Earney for his loyal and commendable service to Riverside through his contribution to RECHG and Church Housing Trust.

The Board noted the remaining contents of the report and additional verbal reports, including:

- a the successful exchange of contracts for the acquisition of 214 tenanted properties in Kent, and the successful transfer of Sanctuary's Halton stock to Riverside (confirmed as 75 properties), both of which were agreed at the last meeting
- b the minor amendments to the new Scheme of Delegated Authority approved by the Group Audit Committee detailed in the report
- c the letter from the Regulatory Chair and Director, attached to the report at Appendix 1, about the new regulatory framework which came into operation on 1 April 2015
- d the Risk Management update, attached to the report at Appendix 2
- e that the Sunday Times had devoted 8 pages to the housing crisis – noting that some people in some parts of the country earning well above the national average salary are unable to buy
- f that a first stage bid, ie down to the final five, is about to be made by The Compendium Group Ltd in respect of the major opportunity in Aberdeen, reported to the Board in October via Compendium's Business Plan, where the City Council intends to set up a joint venture company with its selected partner to develop up to 5,000 homes on Council owned land.

[REDACTED]

[REDACTED] it is likely that this project will not proceed.

In addition, two briefing documents were circulated: 'The main political parties' General Election pledges for 7 May 2015' and 'Pre-General Election briefing'. The 'Right to Buy' extension to English housing associations proposal by the Conservative Party was noted.

Performance Report (PR)

The Board noted the Performance Report and highlighted the following:

Financials:

- that although the final year-end position cannot be confirmed yet (because final adjustments are being calculated and processed), on a like-for-like basis it is expected that an operating margin of 24% will be delivered
- that there has been some excellent work in a number of areas to support this performance but within the asset management area, which has had a challenging time in the last few months, it is a credit to the team that commitments made in the run up to year-end have been delivered, and the steps put in place for next year are encouraging
- that the expected operating margin of 24% on a like-for-like basis does not include the impact of the Hull Private Finance Initiative (PFI) and that the required accounting treatment can skew the total group picture. It was agreed that an explanatory note in this respect would be included in the accounts
- that commercial entities will also deliver results as expected.

Operational Performance:

- that there is more certainty in terms of the year-end, with some great performance across the group, and that the blended target for the year was achieved
- that there is clearly still some work to do on the cash leakage indicators and this is an area where the Housing Services Committee (HSC) is pressing for improvement, with the income collection part of the Think Forward programme also striving to make improvements in this area
- that although the stock void target was not hit, there was another notable improvement this year and the investment made towards the end of the year and the disposals of some void properties at the very start of this year should drive performance further in the early part of 2015/16
- that in addition to the standard top 10, the pleasing results against the specific Riverside Home Ownership, RECHG and customer service Key Performance Indicators (KPIs) were noted
- that efforts in the last quarter on health and safety indicators have driven the completed actions to jump from 63% to 96% by year-end.

The Board was pleased to hear the good news about many aspects of performance. The Vice Chair was particularly delighted, in the context of his last year-end as RECHG Chair, with the best set of KPI results for RECHG that he had ever seen.

The Board noted the headline issues from the HSC.

It was also noted that although the year-end results are good, examination of performance data shows that there are still issues around cash leakage in terms of voids in Mersey South and RECHG, re-lets in Cumbria and RECHG, and arrears in Mersey North and Mersey South; and that Housemark analysis confirmed that improvements to be as good as the best are required. It was noted that some KPIs are stretching and will be harder to meet but that the Chair of the HSC would like to see a step change, rather than incremental change, especially in terms of income collection. He would be challenging Divisional Chairs at the HSC Strategy day to help deliver this step up in performance and asking them to report back to the HSC about their plans in respect of cash leakage KPIs. It was also noted that there are plans for the next HSC meeting on 2 July 2015 to be paperless.

The Board was pleased to see progress being made in a number of areas and agreed that there was a need to consider peer groups to find out why some are performing better; and to learn from customer experience in order to improve performance. The Board recognised the effort and focus of staff and Divisional Chairs in respect of the Cash Collection Dashboard.

The Board noted:

- a the significant progress continuing to be made in terms of Health and Safety KPIs - with 365 actions outstanding as at 21 April which are expected to be cleared by the end of June
- b that progress is being made by the Asset Data Project (part of the Think Homes Programme) towards reconciliation and consolidation of asset data
- c the conclusion from the Health & Safety Executive on the Kenneth House incident and the update on outstanding Health & Safety (H&S) KPI actions and Gas Safety
- d the progress made through the collaborative working between the Health, Safety & Environment Team and the Asset Services Team to further the 'Safety First' approach to risk within Riverside
- e the changes to the H&S KPI definition
- f the changes to the Gas KPI definition.

The Board was pleased with the huge efforts made by the teams to improve performance, whilst recognising that there is still more to do.

Riverside Rent Policy

The Board noted the high level purpose of the policy which complies with the regulatory rent standard. It was noted that the policy had been reviewed and approved by the Housing Services Committee.

The Board noted that significant work had also been done on rent affordability, the completion of which had been paused until after the general election. There will be a need to reflect further on rents in the context of welfare reform and the new government's policy agenda.

It was further noted that the local rent flexibility proposal, which had arisen from a discussion by the HSC in June 2014, was proposed very much as an exception, rather than the norm. All proposals would be supported by a clear business case, the framework for which will be shaped when the first request is made. Any proposal would be at the discretion of the HSC and also subject to assurance from Internal Audit.

The Board:

- a approved the rent policy
- b noted that a detailed Rent Framework document is now in place
- c noted the ongoing research on affordability
- d noted the paper on the geographical impact of the rent increase
- e approved the principle of local rent flexibility in the circumstances outlined to the Housing Services Committee on 26 June 2014, which are:
  - English divisions can operate local flexibility by setting reduced rents outside of the normal parameters, where there are difficulties letting properties due to local markets
  - a series of potential descending levels for setting rents lower than the regulatory and policy limits
  - an approval procedure for consent to the setting of rents at these lower levels: Divisions must seek approval from their Boards and apply in advance to HSC for permission to exercise the power to set lower rents within the limit of consent
  - time limited approval will be predicated on a clear business case demonstrating that there will be positive business plan impact from reducing rents with lower rents offset by (for example) reduced re-let times and void loss
  - provision for retrospective approval where less than 10 properties are involved and there is urgency due to imminent rent loss
  - review and reporting requirements.

624/15 Rents and the New Regulatory Standard

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

625/15 Group Business Plan 2015/16 to 2019/20 (including Stress and Scenario Testing Presentation)

The Board noted:

- a the significant movement in terms of reduced income but increased operating margin and the key items driving the reduction in income, with the biggest fall being within RECHG, and lower CPI (Consumer Price Index) clearly impacting on the rest of the business too
- b the improved projections for Prospect (Prospect (GB) Ltd), with both income and margin increases expected from year 2 onwards
- c the impact of the Hull PFI - with the Plan showing the group position including and also excluding the Hull PFI
- d the significant amount of work that has taken place on the modernisation agenda during 2014/15
- e that the impact of the new Asset Strategy has been included in the Plan with the expectation to see savings as a result
- f that some of the modernisation activity has also been targeted at improving efficiencies within the Customer Service Centre, recognising that an investment in people and systems will improve customer service and experience
- g that the Plan is considered to be robust and that the excellent work of the Treasury team, in terms of the bond and renegotiating covenants with funders, has stood the Group in good stead going forward
- h the performance of each commercial subsidiary and the oversight of the boards overseeing these activities and the associated risks.

The Board agreed:

- i that the Plan would include details to show that liquidity and gearing has been reviewed and the conclusions reached
- ii that a number of minor typing errors in the Plan would be corrected.

The Board received a presentation from the Director of Business Planning & Analysis, Andy Coghil, about multi-variant stress and scenario testing of activities and business plans against the risk map, to anticipate how current and future risks to the business and its activities interweave, and potential mitigating strategies to assess resilience and ensure long-term viability through business planning and corporate response.

The Board was keen to have a thorough understanding of the totality of the organisation's risks and the effectiveness of risk management and mitigation strategies in order to decide the acceptable levels of risk for the business and have mitigation strategies if unacceptable levels of risk emerge in key activities.

The Board considered the various scenarios presented and the possible effects of post-election changes, and noted possible mitigating actions including in respect of:

- halting the acquisitions and development programme
- RECHG overheads
- public realm and RECHG re-modelling programme
- contingency
- increase in bad debts
- deterioration in Prospect's contribution to the Group.

There was a lengthy and detailed discussion. The Board requested that additional stress testing be built into the Plan, eg what would be the result of removal of VAT exemptions; increased right to buys from 1500 to 5000 units; commercial collapse of all subsidiaries; cash availability, etc. It was also recognised that there would be more clarity post-election about certain matters.

It was agreed that there would be a report back in the Chief Executive's Round up for the next Board meeting in June about ongoing stress testing and possible changes in connection with election results, eg to Right to Buy. In addition, there would be a report back at the next Board Strategy day, including consideration of the risk map going forward.

The Board thanked Andy Coghill for an excellent presentation and agreed that it had provided useful information and a good opportunity for discussion of the important topic of stress testing.

The Board approved the Group Business Plan for the years 2015/16 to 2019/20 as set out in appendix 1 of the report.

626/15 Revision of the Group Treasury Policy

The Board approved the proposed change to the Group Treasury Policy as detailed in the report.

627/15 Annual Treasury Strategy 2015/16

The Board noted that the Group Treasury Committee had reviewed the proposed Annual Treasury Strategy at its meeting on 27 March 2015 and recommended approval to the Board.

The Board:

- a approved the Group's Annual Treasury Strategy for 2015/16



- b approved that for 2015/16 RBS/Nat West are treated as an exception to the counterparty credit limits specified in the Group Treasury Policy.

628/15 Buyout of Lloyds' Bank Callable Option

The Board noted that the Group Treasury Committee had considered the proposal when discussing the draft Annual Treasury Strategy at its meeting on 27 March 2015 and agreed to recommend that the Board approve the buyout of Lloyds' callable option.

The Board approved in principle the buyout of Lloyds' callable option and that authority is delegated to the Chief Financial Officer to agree the pricing of the buyout and approve execution.

629/15 National Westminster Bank PLC – Corporate Cash Manager Plus Account

The Board approved the application for a National Westminster Bank Corporate Cash Manager Plus Account.

630/15 Stock Condition and Planned Investment 2015/16

The Board welcomed this comprehensive report which demonstrated the improvement to analysis and planning from the asset management team. There is a business transformation programme in place which is bringing a range of roles in house to ensure increased consistency to stock condition surveys. There are savings being driven out via procurement, the use of Evolve (Evolve Facility Services Ltd) and better practices. The Board's attention was drawn to the growing understanding of the needs of RECHG stock which has provided more confidence in which properties should be retained and which should be sold. The Vice Chair was pleased that this has enabled a specific investment stream for sheltered stock to be built into the plan.

The Board:

- a noted the stock investment need of £206.625 million over the 5 year business plan period 2015/16 to 2019/20
- b agreed the Divisional funding level of £39.561 million allocated for 2015/16 as detailed in Table 8 of the report
- c agreed to commit financial resources that will be expended in the following financial year to maintain the momentum of the programme, with the limit of that commitment set at 50% of the programme budget (50% of £42.975m = £21.488m).

631/15 Programme Consent for Disposals of Vacant Properties in Merseyside in 2015/16

The Board sought and gained assurance that all of the properties had been subject to discussion with each local authority, noting that the disposals team work hard to manage relationships and Riverside's reputation.

The Board noted the contents of the report and authorised the application to obtain Homes and Communities Agency consent for a programme of up to 121 disposals during 2015/16 within the following local authorities:

Liverpool  
Sefton  
Halton  
Wirral  
St Helens.

632/15 Customer Care Policy

There was a query around the certainty expressed in Guiding Principles – 'will' rather than the need to 'aim'. The purpose details 'aims' which the rest of the document is framed within.

The Board approved the Customer Care Policy.

633/15 People Strategies: Engagement – Best Companies Temperature Check and Investors in People (IiP) Update

The Board:

- a noted the update regarding IiP, the Temperature Check and progress of activities from the Best Companies survey
- b noted the future plans for the development of Riverside's people strategy for 2015.

The Board also noted that a new HR Director would be joining Riverside in May.

634/15 Group Board and Governance & Remuneration Committee Scheduling

The Board approved:

- a the Governance & Remuneration Committee (GRC) meeting dates cycle of February, April, June and October following TRGL Board meetings, annually from now on
- b the remaining GRC meeting dates for 2015 of 23 April, 11 June and 14 October, and for 2016 of 11 February and 21 April

- c the schedule of recurring items for TRGL Board (shown as appendix 1 of the report) and for the GRC (shown as appendix 2 of the report), subject to the following amendments:

TRGL Board

The Corporate Plan and the HR Annual Update (an information item) to be presented to the Board in June

Whole Board Appraisal (Group Board only) will be brought forward this year from July to June

The Annual Report on Equality and Diversity will be presented to the Board later this year following the current audit

GRC

CEO and Board Member Remuneration will be considered at a separate meeting with the Independent Advisor GRC Member, Jackie Green, in May 2015

Leadership Group Salaries will be considered in October 2015

Commissioning of External Board Appraisal for 2016 will take place in October 2015.

635/15

Information Items

The Board noted the following items:

- a Quarterly Treasury Report
- b Housemark Riverside Group Benchmarking report 2013/14
- c Update on the Hull Extra Care PFI Project to 31 March 2015
- d TRGL Annual General Meeting: Monday 14 September 2015 – agreed at 12.30 pm, following a Group Audit Committee meeting at 10 am, with a buffet lunch available at 12 noon
- e Group Audit Committee Minutes – 19 March 2015
- f Group Treasury Committee Minutes – 27 October 2014
- g Housing Services Committee Minutes – 5 February 2015
- h Housing Services Committee Minutes – 1 April 2015
- i Evolve Facility Services Ltd Board Minutes – Confidential – 18 December 2014
- j Evolve Facility Services Ltd Board Minutes – Confidential – 29 January 2015
- k Prospect (GB) Ltd Board Minutes – 14 January 2015
- l Prospect (GB) Ltd Board Minutes – 23 February 2015

- m Scotland Committee Minutes – 20 January 2015
- n Riverside Executive Directors' Minutes – 24 February 2015
- o Riverside Executive Directors' Minutes – Confidential – 24 February 2015
- p Riverside Executive Directors' Minutes – 31 March 2015
- q Riverside Executive Directors' Minutes – Confidential – 31 March 2015.

636/15 Any Other Business

- a 2016 Board Meeting Date: Thursday 21 April 2016 was agreed as the date of the 2016 April Board meeting (instead of 14 April which was agreed by the Board in July 2014 as 'to be confirmed').
- b Board Strategy Day – 9/10 September 2015: It was noted that the proposed agenda for the Board Strategy day would be presented to the next Board meeting in June.
- c Riverside National Tenants' & Residents' Conference: The Board noted that the Riverside National Tenants' & Residents' Conference would be held on Friday 2 October 2015 at the Crowne Plaza Hotel in Chester, with the theme 'One Riverside and Federation for all', and key issues of Welfare Reform, Lack of Affordable Housing, and Health & Housing; and that a consultation questionnaire in respect of workshop topics had been sent out across Riverside.

637/15 Date and Time of Next Meeting

The next meeting was fixed for Thursday 11 June 2015 at 10 am.

Papers attached to the Minutes

Minute Numbers

619 + 2 tabled documents

620

621

622

623

625 + presentation

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635 a – c + e – q