

HIGHLIGHTS OF THE TRGL BOARD MEETING HELD ON 9 MAY 2019

CHIEF EXECUTIVE UPDATE

The Chief Executive updated the Board on a number of significant matters relating to the state of the Group and its operating environment. Among these was an update on the actions being taken to recruit a new Group Board Chair in advance of the current Chair stepping down in March 2020 after 11 years' service on the Board.

The Board discussed the effectiveness of Riverside's management of fire risk to customers and while noting that there was further work to be done, were content that significant progress had been made in enhancing performance in this area with a new safety compliance model in place to better ensure customer safety.

2019/20 RIVERSIDE GROUP BUDGET

The Board reviewed and approved the revised 2019/20 Group Budget for Riverside which reflected the changes in the Group's operating environment and business requirements and provided a basis for delivering Riverside's updated Business Plan.

2019/20 BUSINESS PLAN

The Board reviewed the 2019/20 Thirty Years Business Plan. Following a robust discussion, the Board was content that the Plan was strong, resilient and compliant with the financial rules Riverside has set itself to ensure ongoing viability. On this basis the Plan was approved.

MERGERS & ACQUISITIONS

A report was reviewed which set out ways in which Riverside could grow as an organisation and achieve its corporate ambitions. This was based on previous Board discussions and was agreed as a sound basis on which to develop a Strategy to successfully deliver growth objectives.

ANNUAL TREASURY MATTERS

Revised policies for Treasury and Investment were approved, designed to optimise funding to deliver services.

ANNUAL DEVELOPMENT REPORT

The Board noted an update on progress made in delivering the Development programme. It was pleased to note that at the end of year 2018/19 (Year Two of the development programme), financial performance and progress in identifying opportunities had been good.

HR ANNUAL UPDATE

An update on the key employee data and insight for the 2018/19 performance year as well as an overview of performance against the key strategic 2018-2020 People Priorities was noted.

Annual REVIEW OF THE TARGET OPERATING MODEL AND TRANSFORMATION PROGRAMME

An update on progress of the delivery of the Riverside's Transformation Programme was received. The Board was pleased to note that the programme was now entering its final stage and significant savings were expected to have been achieved at its completion.

NEIGHBOURHOODS MATTER

The Board received an update on the commission and development of the Hallwood Park and Palace Fields Area Renewal Plan; and the Carlisle Strategic Investment Framework. The Board noted the intention to form

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a Neighbourhood Plan detailing how overall performance will be driven up for each neighbourhood rated 'red' in the Riverside Sustainability Index.

RISK REGISTER UPDATE

The updated risk register was reviewed by the Board. It noted that the Executive Team were in a period of critical enquiry during which the Group's risk profile was being subject to detailed scrutiny to ensure that risk was effectively captured, articulated and mitigated.

INTEGRATED STRATEGIC PERFORMANCE REPORT P12 (MARCH) 2018/19 AND CORPORATE PLAN YEAR END REVIEW

The Integrated Strategic Performance Report for March 2018/19 and the Corporate Plan year end review were noted. The Board welcomed the achievements made in the first two years of the Corporate Plan and noted the significant improvement in occupancy rates. There remained concern with customer satisfaction performance however the Board acknowledged the challenges faced in a year in which front line and asset services had undergone significant transformation and were assured by the Executive focus on improving performance with dedicated actions plans in place to enhance customer experience.

FINANCIAL PERFORMANCE – YEAR TO MARCH 2019 (IMPACT SEPTEMBER 2018 TO MARCH 2019)

The Board noted the Group financial performance update for the period year to March 2019. There were no material matters raised for discussion.



CONFIDENTIAL MEETING MINUTES

Board/committee: The Riverside Group Limited (TRGL) Board (the “Board”)

Date and Time: 10.00, 09/05/19

Location: Lecture Theatre, TRGL Head Office, 2 Estuary Boulevard, Estuary Commerce Park, Speke, Liverpool, L24 8RF

Present:

- Max Steinberg – Chair
- Pauline Davis (PD) – Vice Chair
- Tim Croston (TC) – Board Member
- Jonathan Dale (JD) – Board Member
- Michelle Dovey (MD) – Board Member
- Ingrid Fife (IF) – Board Member
- Carol Matthews (CMM) – Co-opted Board Member
- Sally Trueman (ST) – Board Member
- Peter White (PW) – Board Member

In Attendance:

- Maxine Cousens – Director of People and Culture for item 2.9
- Cathy Durham (Altair) – for item 3.1
- John Glenton (JG) – Executive Director of Care & Support Services
- Ian Gregg (IG) – Executive Director of Asset Services
- Cris McGuinness (CAM) – Chief Financial Officer
- Jo-Anne Morgan (Altair) – for item 3.1
- Patrick New (PN) – Executive Director of Customer Service
- David Otty (DO) – Tenant Observer
- Hugh Owen – Director of Strategy and Public Affairs for item 2.5
- Anne-Marie Owens (AMO) – Governance Manager (Secretary)
- Sara Shanab (SS) – Director of Governance and General Counsel
- Carl Walsh (CW) – Finance Director (Observer)

Apologies:

- None

Min:	Agenda Item	Action
51/19	<u>Welcome and Apologies for Absence (Item 1.1)</u> The Chair welcomed members and attendees to the meeting and reported that there were no apologies for absence.	
52/19	<u>Declarations of Interest (Item 1.2)</u> There were no interests declared.	
53/19	<u>Chair's Matters (Item 1.3)</u> The Chair's matters were NOTED .	

Min:	Agenda Item	Action
54/19	<p><u>Chair's Actions (Item 1.4)</u></p> <p>The Board NOTED the decisions taken since the previous board meeting under delegated authority to the Chair (Chair's Action) or via written resolution of the Board or under other delegated authority. These were:</p> <ul style="list-style-type: none"> • Approval to waive the intragroup interest on Riverside's loan (Chair's Action) • Approval to enter into a Deed of Rectification on behalf of TRGL with Riverside Finance plc and Prudential Trustee Company Ltd, as parties to a loan agreement from December 2014 (Chair's Action) • [REDACTED] • Approval by the Vice Chair of a Member Resolution authorising the allotment of new shares in Riverside Regeneration to allow the capitalisation of the company for investment in the Stanton Cross Development LLP (under authority delegated by section 4b of the Scheme of Delegation). 	
55/19	<p><u>Minutes of Previous Meetings: 14 March 2019 (Items 1.5)</u> CONFIDENTIAL</p> <p>The minutes were APPROVED as a true and accurate record of the meetings held.</p>	
56/19	<p><u>Matters Arising from Previous Meetings (Item 1.6)</u> CONFIDENTIAL</p> <p>The status of matters arising from previous meetings was NOTED and it was AGREED to close the items identified as complete for the purposes of the report.</p>	
57/19	<p><u>Chief Executive's Report (Item 2.1)</u> CONFIDENTIAL</p> <ul style="list-style-type: none"> • The Board received the Group Chief Executive's report and the following matters were highlighted for discussion: <p>[REDACTED]</p> <ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED] 	

[Redacted]

Board Chair Recruitment

- The Board noted that Altair had won a tender to support Riverside in recruiting the new Board Chair and noted the progress made to date and proposals for the final interview panel. The recruitment approach was endorsed and it was agreed that updates would be provided as the process progressed.

Dalwood Street, Camberwell, London

- PW advised that the Neighbourhood Services Committee actively monitors the status of Fire Risk Actions (“FRA”) and had confidence that enhancements made in Riverside’s compliance model would deliver improvements moving forward. IG added that the new FRA management plan was on track to complete outstanding actions by the end of May.
- The potential need for a one item Board meeting to approve a recommended new DC pension provider was noted.
- Members were asked to advise if they wish to see the correspondence with Devonshires on Project Rocket.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[Redacted]

[Redacted]

PN

59/19 2019/20 Riverside Group Budget (Item 2.3) **CONFIDENTIAL**

The Board **NOTED** a report on the revised 2019/20 Group Budget for Riverside, which was previously agreed by Executive Directors in January 2019 and subsequently by Group Board in March 2019.

- The Board noted the main change to the earlier version considered in March, was the early termination of the Nationwide loan as proposed by the Group Treasury Committee. MD reported that this proposal had been subject to lengthy debate by the GTC, and the recommendation to Group Board had not been taken lightly on the basis of the substantial indicative cost of £10m. However, there were a number of drivers which informed the GTC's decision to recommend termination:
 - The asset cover ratio of the loan was such that within 18 months of maturing, Riverside would require significant further security against the loan of property with £25m rental income;
 - The ambiguous wording of the loan agreement required significant legal advice to support the ongoing management of the facility and mitigate cross-default risk;
 - The facility was a high fixed rate interest loan, and consideration of the time value of money and acceleration of interest was a determining factor in deciding should the £10m cost be paid in the year or over the forthcoming six year period; and
 - To amalgamate Impact would require consent which would likely involve a refund in some form and absorb substantial treasury team resources to manage.

Following due and careful consideration, the Board **APPROVED** the budget changes in the revised paper presented.

60/19 2019/20 Business Plan (Item 2.4) **CONFIDENTIAL**

The Board **REVIEWED** the 2019/20 Thirty Years Business Plan and highlighted the following matters for discussion:

- A briefing note was requested for circulation outside of the meeting, setting out how market risk was managed through the accounting approach, application of the Golden Rules and Investment Appraisal Committee activity.

CAM

[Redacted]

- In response to a query, CAM explained that delivery of strategic savings would be monitored through the management accounts and the Business Plan in 2020.

Min:	Agenda Item	Action
	<ul style="list-style-type: none"> • The Board asked for assurance that the Golden Rules were fit for purpose and were advised that alongside the early warning triggers, there was high confidence that the Rules created an appropriate control framework for effective financial management. • There was a discussion of the feasibility of Prospect delivering against the Business Plan target and the Board noted that there was new leadership in place and the company was actively bidding for sites and engaging with Riverside on potential land opportunities. These changes would support improved performance. • The Board noted the range of single and multi-variant stress testing, and considered the long term, cyclical nature of economic factors that impacted on the business as well as internal business risks. Members were comfortable that the mitigations identified sufficiently alleviated the impacts of stress testing. • Following due and careful consideration, the Board resolved to: <ul style="list-style-type: none"> ○ APPROVE the 2019/20 thirty year Group Business Plan, with the new (not yet executed) Irvine Lloyds loan, but in the event that this was not executed on 24 May 2019 as expected, ○ APPROVE that the Business Plan would switch to the alternative, which included the existing Irvine Lloyds loan (as per Scenario Test 8 in Appendix 6). 	
61/19	<p><u>Mergers and Acquisitions: Final Report of Campbell Tickell (Item 2.5) CONFIDENTIAL</u></p> <ul style="list-style-type: none"> • The Board NOTED the report, which presented the outcome of a major piece of work undertaken by Campbell Tickell to support the development of a proactive mergers and acquisitions strategy, and identify potential target organisations. • There was consensus that the document accurately reflected the outcomes of the substantial debate and discussions held by the Board over the preceding year and captured Riverside’s chosen strategic approach to Merger and Acquisition activity. • The Board reiterated that while the strategy was fit for purpose, appropriate resourcing was key to successful delivery. • After due and careful consideration, the Board resolved that: <ul style="list-style-type: none"> ○ The Campbell Tickell report should be NOTED, and used as the basis for developing an M and A strategy statement for Riverside. ○ Campbell Tickell should be APPOINTED (subject to a fee proposal, to be agreed by the Chief Executive) to play a ‘brokerage’ role to identify a preferred partner, subject to periodic activity reports to Board. ○ Campbell Tickell should be COMMISSIONED (subject to a fee proposal, to be agreed by the Chief Executive) to devise separate M and A strategies for Care and Support and Scotland. 	
62/19	<p><u>Annual Treasury Matters Update (item 2.6)</u></p> <ul style="list-style-type: none"> • The Board considered the outcome of the annual review of the Group Treasury Policy, the Group Investment Policy and the Treasury Strategy which had been undertaken by the Head of Treasury, along with an independent, high level review undertaken by Centrus Advisors. • MD assured Board colleagues that the Group Treasury Committee had reviewed in detail and discussed at length the review findings and recommended that the Board approve the resolutions as set out in the paper. 	

- After due and careful consideration, and taking account of the view of the Group Treasury Committee, the Board resolved to:
 - **APPROVE** the Group Treasury Policy for the next year;
 - **APPROVE** the Group Investment Policy for the next year;
 - **APPROVE** the Annual Treasury Strategy;
 - **APPROVE** the early repayment of the £25m loan facility with Nationwide Building Society; and
 - **APPROVE** work to be undertaken by the Treasury Team, with relevant external advice, to consider options for the entering into £100m of Private Placements and to delegate to the Group Treasury Committee the initial review of those options before making a final recommendation to Group Board for approval.

63/19 Quarterly Treasury Report – January 2019 to March 2019 (item 2.7)

- An update on the treasury position of the Riverside Group as at 31 March 2019 was **NOTED**.
- The Board welcomed the additional covenant reporting introduced, in part, as a response to lessons learned from the Hull PFI project.

64/19 Annual Development Report (item 2.8)

- The Board **NOTED** an update on progress made in delivering the Development programme. It noted that at the end of year 2018/19 (Year Two of the development programme), financial performance and progress in identifying opportunities had been good. Projects that should deliver 1,434 of the 2,111 2017-20 Business Plan affordable target for start-on-sites had been identified and approved.
- Assurance was provided that the Investment Appraisal Committee closely monitored market conditions and time on market for all units for sale.
- The Board queried the forecast for the percentage of starts on site anticipated by 2020 against the Business Plan target. It was agreed that a more detailed report would be brought to a future meeting forecasting the anticipated programme deliverables by year ending 31 March 2020. This report would include consideration of the degree of additional development above and beyond the agreed programme as a response to voluntary right to buy (if any).

CAM



65/19 HR Annual Update 2018-2019 including Gender Pay Report (item 2.9)

- An update on the key employee data and insight for the 2018/19 performance year as well as an overview of our performance against the key strategic 2018-2020 People Priorities was **NOTED**.
- The Board thanked MC for the significant progress achieved in the period and offered its support for the strategic direction being taken in HR. It agreed that cultural change was a challenge for the organisation, with a lack of staff engagement a particular risk however the approach adopted for the change programme was correct.

Min:	Agenda Item	Action
	<ul style="list-style-type: none"> Concern was expressed relating to the high percentage of leavers departing the organisation within the early months of employment and the impact on services and cost. MC responded that this was a key focus for the business and work was underway to analyse the root causes and ensure appropriate action was built into People Plans. She added that there were possibly positive as well as negative factors driving this position, for example, more robust probation period and performance management. The Board discussed the importance of meaningful measures to track cultural change and MC advised that a range of metrics would be used to monitor performance against Riverside's aspirational culture. IF suggested that there was opportunity to influence culture and staff behaviours through the new Head Office plans and these should be explored and exploited. It was noted that a progress update would be provided in October and would include an analysis of the root causes of the high percentage of leavers departing the organisation with 12 months. 	MC
66/19	<p><u>Annual Review of the Target Operating Model and Transformation Programme (item 2.10)</u></p> <ul style="list-style-type: none"> An update on progress of the delivery of the Riverside Group Target Operating Model (TOM) and Transformation Programme was NOTED. The Board queried if the financial savings delivered at completion of the Programme would trigger a rent reduction. [REDACTED] [REDACTED] a report would be presented to the next meeting, focusing on Wave 3 and progress made in achieving efficiencies as well as setting out the next steps. 	TR
67/19	<p><u>Annual IT Update and Roadmaps (Item 2.11)</u></p> <ul style="list-style-type: none"> The annual Information Technology (IT) update report detailing the progress made since the previous update submitted to the Group Board in May 2018 was NOTED. The Board noted the successful delivery of key IT projects, including upgrades for Asset Management, alongside the IT integrations underpinning the new Riverside Direct repairs service. It further noted the progress on Scheme Wi-Fi, and the new Data Warehouse projects, and the next stages of the Salesforce 'unified platform' programme with the plans for Customer Services capability. Further detail was requested on the planned reduction in the use of contractors and how this would deliver savings. It was explained that while staff costs had and would increase this was as a result of the significant investment required to combat a sustained period of under-investment in IT resources however this would reduce in 3 years' time. Replacing contracted staff with permanent staff at a lower salary cost per person would allow optimisation of resources. It was agreed that the risk register would be nuanced to demonstrate the challenges with IT enabled change. The Board supported the investment in IT as a requirement to build on the progress made to date and deliver the improvement still needed to fully modernise Riverside's IT capacity. The approach taken in splitting service provision and project work as distinct functions was supported by the Board. 	

68/19 Neighbourhoods Matter (item 2.12)

- The Board **NOTED** an update on the commission and development of the Hallwood Park and Palace Fields Area Renewal Plan; and the Carlisle Strategic Investment Framework to date.

[Redacted]

- The Board noted the intention to form a Neighbourhood Plan detailing how overall performance will be driven up for each neighbourhood rated 'red' in the Riverside Sustainability Index.

69/19 [Redacted]

[Redacted]

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Min:	Agenda Item	Action
	[REDACTED]	PD/MS
	[REDACTED]	CAM/ JG
	[REDACTED]	
	[REDACTED]	
70/19	<p><u>Risk Register Update (item 3.2)</u></p> <ul style="list-style-type: none"> The updated risk register and a summary of the process applied in maintaining the register were NOTED. CMM advised that the Executive were in a period of critical enquiry during which the Group's risk profile was being subject to detailed scrutiny to ensure that risk was effectively captured, articulated and mitigated. A number of changes required to better refine the register had already been identified including how customer experience could be captured on the risk map perhaps nuancing or replacing the current "regulation risk". Following completion of the Executive review, a number of proposed enhancements would be presented to Group Audit Committee and Group Board. The Board discussed whether major developments such as Stanton Cross should be included as discrete risks on the register and agreed that this should form part of the debate when the proposed revisions were considered at July's meeting. There was consensus that achieving clarity on appropriate levels of assurance and mitigations would be a key focus for Board debate. The Board asked the degree to which the Investment Appraisal Committee ("IAC" or the "Committee") effectively mitigated risk and enhanced the control environment. It was advised that the Committee scrutinised investment and disposal proposals in detail and regularly rejected submissions where the business case had not been adequately argued and risk had not been appropriately mitigated. The Committee had been subject to an internal audit and no issues had been identified with its operation. CMM invited any Board Member who wishes to do so, to observe a future IAC meeting. It was agreed that should it be considered prudent, external assurance on the effectiveness of the Committee could be sought at a future point. TC agreed that following consideration of the internal audit report by Group Audit Committee, he would take a view of whether the report should be shared with Group Board or the Neighbourhood Services Committee. 	AMO TC
71/19	<p><u>Whole Board Appraisal Survey Results (item 3.3)</u></p> <ul style="list-style-type: none"> The Board REVIEWED the outcomes of the appraisal exercise carried out to allow Members to reflect on Board performance and identify areas of collective strength and opportunities for development. The Chair noted that in light of the lessons learned from the Hull PFI project it would be prudent to spend some time at the Board Strategy Day considering Board skill requirements. 	CMM

Min:	Agenda Item	Action
72/19	<ul style="list-style-type: none"> The actions proposed within the report were APPROVED and the Governance Team tasked with facilitating implementation. <p><u>Committee and Subsidiary Board Summary Report (January-March 2019) (Item 4.3)</u></p> <ul style="list-style-type: none"> The Board received and NOTED the report setting out committee and subsidiary board activity in the reporting period of January-March 2019. A number of minor corrections to the report from Group Treasury Committee were noted. The successful tenant ballot at Pike Close was noted. PW reported that the Neighbourhood Services Committee had seen improving performance at Riverside Direct but continued to closely monitor services in the South and Central region. 	
73/19	<p><u>Integrated Strategic Performance Report P12 (March) 2018/19 and Corporate Plan Year End review (item 4.1)</u></p> <ul style="list-style-type: none"> The Integrated Strategic Performance Report for March 2018/19 and the Corporate Plan year end review were NOTED. The Board welcomed the achievements made in the first two years of the Corporate Plan and noted the significant improvement in occupancy rates. It was also noted that no properties had been sold via auction in the Liverpool City Region in the period and the City Council had expressed its satisfaction with Riverside's commitment to this policy. There remained concern with customer satisfaction performance and it was reported that the data for customer service centre first contact resolution was being recalculated and would likely end up at 50%. The Board acknowledged the challenges faced in a year in which front line and asset services had undergone significant transformation and were assured by the Executive focus on improving performance with dedicated actions plans in place to enhance customer experience. The Board was disappointed with the volume of outstanding compliance actions and were advised that the majority of actions were low risk and with the new supply chain in place there was confidence that all outstanding actions would be completed by the end of May 2019. IG advised that there had been a threefold increase in actions being generated which was driven by the accelerated 2 year Fire Risk assessment programme introduced last year following the review of the Fire Management Policy approved by Board in May 2018. PW advised again that the Neighbourhood Services Committee had at its last meeting asked for a detailed report to be presented to its June meeting on the issues with fire actions and the management response to it and he would report back on this at the July Board. The Chair reiterated the Board's disappointment with the current performance in this key area and thanked PW for the oversight and that he would await the further update in July. 	
74/19	<p><u>Financial Performance – Year to March 2019 (Impact September 2018 to March 2019) (item 4.2)</u></p> <ul style="list-style-type: none"> The Board NOTED the Group financial performance update for the period year to March 2019 which included performance data for Impact Housing Association for the period September 2018 to March 2019. The changes in reporting approach were endorsed by the Board as being conducive to more effective oversight however it requested that future reports should include a trend line for abortive costs. 	CAM

Min:	Agenda Item	Action
75/19	<ul style="list-style-type: none"> There were no significant matters raised for discussion. <p><u>Any Other Business (Item 5)</u></p> <ul style="list-style-type: none"> The Chair advised that a variation to the stock transfer agreement with Carlisle City Council in relation to Cumbria Divisional Board had finally been agreed and signed. A 'regional liaison group' meeting twice a year with officers and members from Carlisle CC had been agreed and Riverside would attend the scrutiny panel as requested. In the longer term Impact responsibilities would be weaved into this arrangement. Thanks were extended to Sarah Paton and colleagues who had supported the process.  	
76/19	<p><u>Date of Next Meeting (Item 6)</u></p> <ul style="list-style-type: none"> The date of the next meeting was NOTED as 10am on Thursday 11 July 2019 at Speke Head Office, Estuary Boulevard, Liverpool. There being no further business, the meeting was closed. 	

Signed:.....
Max Steinberg, TRGL Board Chair
Date:.....