



Minutes of Meeting

Meeting Name: **Shropshire Towns & Rural Housing Limited**

Meeting Location: **Microsoft Teams**

Date and Time: **24th November 2020**

Members present:
Chair – Simon Harris (Shropshire Council) SH
Paul Kelly (Shropshire Council) PK
James Wood (Independent) JW
Emma Jones (Staff) EJ
Paul Weston (Co-Optee) PW

Vice Chair – Tony Deakin (Independent) TDk
Mark Jones (Shropshire Council) Board Member
Ann Maltby (Tenant) AM
Paul Hayward (Co-Optee) PH

**Non-Members
Present:**

Sue Adams (STAR) SA
Melanie Smith (STAR) MS
Martin Whitelegg (STAR) MW
Jane Trethewey (Shropshire Council) JT
Alice Pearce (Board Development Agency) AP

Steve Ogram (STAR) SO
Teresa Dagnall (STAR) TD
Jo Williams (STAR) JOW
Jamie Burns (Shropshire Council) JB
Deborah Walthorne (Board Development Agency) DW

ITEMS 3 – 6 & 20 – 21 EXEMPT FROM PUBLIC DISCUSSION

1.	Apologies	Apologies were received from <ul style="list-style-type: none">• Steve Robinson (Independent) SR• Nicki Barker (Tenant) NB		
2.	Declaration of Interests	The Board were asked if they had any interests to declare on any items on the agenda. EJ declared an interest in Item 10.		

BOARD MEEETING OPEN SESSION

7.	Minutes from STAR Board Meeting 22 nd September 2020	All members confirmed that the previous minutes had been received and were an accurate reflection of the meeting. A copy of the minutes will be signed and placed on the minute book.		
8.	Matters Arising	The matters arising from the previous Board meeting have been circulated. There were no further matters arising.		
9.	Annual Review of Risk Management	SO noted the purpose of the report is to update the Board on STAR's approach to risk management and to provide the latest high level risk register. Risk is primarily delegated to the Finance, Audit & Risk (FAR) Subcommittee and is considered twice annually. The Senior Management Team have day to day responsibility, whilst it is discussed at full Board		

	<p>once during the annual cycle.</p> <p>The report identifies the risk scoring mechanism in place and details the risk registers kept by STAR. In addition to the areas listed, a register for Opportunities is also kept.</p> <p>All registers are available to view by the Board at any time and are reported in full to the FAR Subcommittee twice a year.</p> <p>Appendix 2 is a specific report on the potential impact of coronavirus on the company's control environment. This initially went to the FAR Subcommittee earlier this month, but is being made available to all board members for information.</p> <p>PH asked what the current position is regarding item 27 on the risk register relating to the financial stability of Shropshire Council and impact for STAR & HRA. SO noted this risk was identified in summer following comments in Shropshire Council's Financial Strategy, where the Section 151 Officer identified there could be possible difficulties in setting a balanced budget for the coming year and raised the concern that this could require the Council to issue a section 114 notice. In these circumstances it would have been remiss not to flag this as a potential risk, however it is noted that the likelihood has been identified as possible, however the impact would be significant. There have been no further updates however, SO understands the Council is looking to set a balanced budget. The HRA remains stable and robust under current projections.</p> <p>PW noted he had not seen cyber security on the risk register and questioned if it should be. PW also noted that GDPR is identified as a red risk but the score was 5. SO advised this, along with GDPR, sit in the Information Risk Register. SO noted that GDPR is on the high level risk register due to the potential impact of non-compliance.</p> <p>PW noted the number of risks is very long and suggested there is merit for the board to focus on the top ten risks. SO advised that the high level risk</p>	
--	---	--

	<p>register is provided in its entirety for information purposes, however risks are colour coded so the Board could quickly focus on the high and medium risks if needed. The covering report specifically identifies all risks rated "High" of which there are currently 3.</p> <p>TDk asked if at a future meeting, there's a need for the Board to undertake a risk appetite exercise to establish what the Board's risk appetite is.</p> <p>SO commented that this could complex as there are areas of overlap with the Council. Investment risks for example are currently assessed alongside Shropshire Council through the Capital Programme, but thought this would be a worthwhile discussion at a future FAR Subcommittee meeting.</p> <p>TDk thanked SO for a very good paper and explained that the rationale is that there are a number of new Board members and thought a session where the Board considers their attitude to risk may be useful. It could consider development, health and safety, zero tolerance etc. and could perhaps tie in with the governance review. TDk agreed it would be sensible to pick this up at the FAR Subcommittee meeting, but was also keen to get BDA's views on this.</p> <p>JW –supported TDk's thoughts and agreed that it has become a lot more common for Board's to look at their risk appetite and would like to look at this going forward.</p> <p>DW noted that the whole concept of understanding tolerance and appetite to risk is a key role of the Board and believed these would be useful conversations to have. This will be reflected within the final report.</p> <p>The Board noted the contents of the report and current High Level Risk Register attached as Appendix 1 and noted the contents of the report to Finance, Audit and Risk Committee on the Impact of Covid-19 on the Control Environment attached as Appendix 2.</p>	
--	--	--

10.	Budget Strategy 2020/21	<p>The report lays out the key principles and assumptions STAR are proposing and established the framework and guidelines that will be followed when setting the budget for 2021/22.</p> <p>The report outlines the key factors that will influence the budget along with the key principles we will follow. We will continue to support recurring expenditure from recurring income and use reserves to fund one-off or time limited expenditure. STAR will hold a minimum of reserves and contingency based on 5% of turnover. This is an early light touch projection that shows we can set have a balanced budget with some capacity for base budget service development. Over coming weeks we will develop detailed budgets and seek opportunities to create further capacity for re-investment.</p> <p>The pay award is slightly speculative at this stage so we have made a notional provision for a 1% pay increase, although there is an impending announcement about the likelihood of a public sector pay freeze for the coming year.</p> <p>We have some commitments already, but at this stage are projecting a surplus of £4.3m. If we take off the 5% contingency this leaves a usable reserve of £3.9m that can be used for one off investments or service improvements.</p> <p>We can now recommend that rents are increased by 1.5% from April next year.</p> <p>PH asked how the 1.5% rent increase for 21/22 compares to the business plan assumptions. SO noted the assumptions in the business plan was for a 2% increase on rent and also significantly a 2% increase on the management fee, which is the largest expenditure in the HRA. Rent will increase by 1.5% whilst the management fee will increase by 1.1% subject to agreement at the Council's Asset Assurance Board. Rent loss is projected to be £87,000 and the reduction to HRA through management</p>	
-----	----------------------------	---	--

	<p>fee is £76,000 leaving a net impact of £11,000.</p> <p>PW felt the budget proposal looks sensible.</p> <p>TDk felt it would be useful for SO to undertake some stress testing to see what combination of inflationary expenditure increases or increases in arrears and voids and one off unforeseen costs "breaks the budget". SO noted that split responsibilities in income would fall on the HRA and when we look at budgets we build assumptions based on inflation to try to keep these prudent.</p> <p>TDk appreciated the good work gone into managing the budget and wondered how far we would have to go before we were up against the buffer. SO noted that TD prepares quarterly budget monitoring reports that are presented at Board. These look at the company's budget and projections based on where we stand today. We also have reserves of 5% so have a strong element of robustness. TDk commented how big a shock it would be if there were problems. TDk and SO will discuss outside of the meeting.</p> <p>SA noted this was mentioned in the covid report that we are keeping under review our business plan particularly in relation to arrears and void loss and at the moment, everything is on target. This will be reviewed again in Q3 and any concerns will be brought to the Board's attention immediately.</p> <p>SO felt this links to our approach to risk management and the appetite for risk. We avoid potentially unacceptable financial consequences and have a number of tools in place. If the Board felt that the reserve level should be higher, that is something that could be discussed.</p> <p>SH noted that the staff on the ground are supporting and are being supported by residents which maintains low level of risks.</p> <p>PW felt there was a good contingency in general reserves and asked if</p>	
--	---	--

	<p>there were specific plans to spend this.</p> <p>SO advised we will look for any service developments proposals as part of the budget setting process. We will bring a recommendation to Board in February to keep reserves at 5%.</p> <p>The Board approved the following recommendations:</p> <ul style="list-style-type: none"> • The Board approves that the key principles, assumptions and guidelines identified in the report will be applied when compiling the Company's budget for 2021/22. • The assumptions identified in regard to preparing Shropshire Council's Housing Revenue Account and capital programme are noted. 	
11.	<p>Pay Award 2020/21</p> <p>SO noted this is a follow-up report to a decision taken in February 2020 when the budget was set for the current financial year.</p> <p>The Board approved the budget for this year which included a pay award before a national settlement of NJC pay was agreed. Whilst STAR are not obliged to follow the settlement, for reasons highlighted within the report, we have followed the NJC % uplift since STAR was formed. We wanted to get this in the base budget and were aware that 2% had been offered and rejected by the Unions, so built this into the base budget on the understanding that we monitored development and agreed to bring a further report to Board if the agreed figure was different. A settlement was reached of 2.75% in August and for information Shropshire Council implemented this. We seek to realign to this and have brought a supplementary estimate of £38,000 which will be drawn down from reserves if approved.</p> <p>TDk asked if the Council did what STAR did, or if they actioned the pay award after the pay bargaining in August? SO confirmed the Council did not implement anything and waited for the national settlement to be agreed</p>	

	<p>and backdated that to April.</p> <p>PW asked if there would be a benefit to keeping the 0.75% and implementing in April, particularly in light of the fact that there may be a public sector pay freeze.</p> <p>SO noted the merits of that proposal but had some concerns. Firstly given the close connections with the Council, staff are aware that they have implemented they pay award and there is now a discrepancy. Also, if a pay freeze is introduced, and STAR are seen to be implementing a pay award this could be challenged as disregarding government advice. SA confirmed that when the government imposed a freeze on rent increases, it did not matter where the base was, and it is believed that this will be the same when implementing a pay freeze they won't consider what base you are starting from. SA doesn't believe it is worth taking the risk.</p> <p>The Board approved the following recommendations:</p> <ul style="list-style-type: none"> The Board approves a 0.735% increase to all Company salary grades for 2020/21 backdated to 1st April to re-align our pay grades to the national agreement. A supplementary estimate of £37,900 to meet the additional cost in 2020/21 is approved to be funded from usable reserves. 	
12.	<p>ICT Strategy</p> <p>The ICT Strategy runs parallel to the business plan and was originally due to be reviewed earlier this year. It was postponed because of the need to see how coronavirus would impact not only on the business plan but on future ways of working.</p> <p>The strategy identifies development proposals where investment is required and considers the structure and support network required.</p> <p>Because of previous investment, we were in a position where we could virtually decant overnight and able to support agile and flexible working</p>	

	<p>when the pandemic hit.</p> <p>There is a need to have flexibility and scope for manoeuvrability going forward.</p> <p>JW supports and recognises the importance of a proactive approach. It's a big cost commitment but key to successful delivery of our business plan.</p> <p>PH noted that the limited functionality of the tenant portal and low take up was discussed at the last board meeting and asked why this isn't identified as an area for future development.</p> <p>SO noted there had been demonstrations of other more flamboyant portals, however, they offered little more than the current portal but for a much higher cost. We feel the main issue is the reluctance of tenants to take up use of the portal. STAR are going to be investing in an online chat function and will consider ways we can promote this option going forward. The latest Open Housing update may offer more functionality.</p> <p>SH advised that some tenants prefer to attend the pop-up or skip events and that is how they wish to communicate with staff.</p> <p>PW noted that STAR has new servers and queried why cloud based functions were not used and wanted to understand STAR's backup strategy.</p> <p>SO noted some projects purchased are cloud based products and we increasingly look at cloud based options, however, servers are principally a cheaper option at this time and these are paid for through the Service Level Agreement (SLA) with the Council.</p> <p>The back-up strategy is provided through the SLA because most products sit within the Council's network and they have strong contingency plans. Previous IT audits have sought assurances to have back-up plans have off site and the Council have servers off site that would provide continuity if there were any issues.</p>	
--	--	--

		<p>TDk asked if there were any business applications that are still input onto spreadsheets or data double keyed onto separate systems. SO confirmed most applications are now fed into a single system and many of the forms that we use are available on mobile devices and only need to be captured once. The largest spreadsheet still in use is used for rent setting. SO is confident that there aren't any duplicate or inaccurate records.</p> <p>The Board approved the ICT Strategy.</p>		
13.	Value for Money Self-Assessment	<p>TD highlighted this is the VfM Self-assessment for 2019/20 and brings together the financial and operational performance on STAR.</p> <p>It also highlights areas of good performance and areas where we need to make improvements.</p> <p>JW noted that third party payments had risen by £50k. TD advised this had increased primarily because we were using and relying on an overflow contractor. This service has since been brought in-house.</p> <p>PW found the paper useful to get a better understanding of STAR's financials, and whilst it measures against some standard metrics as per the VfM standard wasn't sure if it meets the first element of the VfM standard which focuses on the strategic objectives of the organisation and whether the board is measuring VfM for those key strategic metrics. TD advised that as an ALMO, the VfM standard does not apply to STAR, and so the assessment is based around what is relevant to STAR.</p> <p>TDk asked if STAR has a link to a continuous improvement programme or transformation programme so that we focus on those projects which give the greatest return or impact. TD confirmed that all continuous improvements are driven by the key performance indicators within the Management Agreement and these are appraised using the HACT social value model. SMT also approve all projects and the board approves service developments and growth bids.</p>		

		<p>SH is interested in social value and would like a conversation around this and how we get to the HACT model.</p> <p>The Board approved the Value for Money Self-Assessment 2019/20.</p>		
14.	Housing Ombudsman Complaints Handling Code and Update to Policy	<p>MW joined the meeting to discuss complaints handling.</p> <p>The Housing Ombudsman published a code earlier this year requiring landlords to carry out a self-assessment against the code and several members of the senior management team undertook some training around complaints handling.</p> <p>Following this the Complaints Handling Policy was revised and is brought to Board for approval.</p> <p>There were no questions.</p> <p>The Board approved the following recommendations:</p> <ul style="list-style-type: none"> • To note the Housing Ombudsman's complaints handling code. • To note the STAR Housing self- assessment against the code. • To approve the revised STAR Housing complaints policy. 		
15.	Remuneration Panel Report	<p>SA presented the report on behalf of Steve Robinson.</p> <p>The Remuneration Panel was set up in 2016 following a review of the Board undertaken by Campbell Tickell.</p> <p>The Panel are required to present an annual report to the Board, however, no meetings have taken place in the calendar year as the work programme was postponed due to the pandemic.</p> <p>The suggested work programme is outlined in the report. A meeting has</p>		

		<p>been arranged to take place next to complete the review of Director's job descriptions and to commission a report into Director's salaries. A meeting in March is proposed to make recommendations around performance assessments, role descriptions and remuneration of board and will consider any external reviews. The Panel will consider the findings from BDA's review.</p> <p>The Board noted the contents of the report.</p>		
16.	Q2 Budget Monitoring	<p>The report advises the Board of the budgetary position at the end of Q2, with the caveat that it is early days.</p> <p>The current outturn position shows a projected under spend for the year of £178k. Reasons for significant variances are highlighted in Appendix 1.</p> <p>The Board noted the contents of the report.</p>		
17.	Q2 Performance	<p>JoW joined the meeting to discuss the Q2 performance results.</p> <p>JW observed that the added benchmark information of 19/20 is useful for performance understanding. SA advised that, where possible this will be added to the performance framework next year. As circulated, there will be some changes around PI's so there may be new indicators developed where we may not have historical data.</p> <p>JW noted is was useful to have the further detail included in Appendix 3. A general pattern of results ever so slightly below target but considering the global pandemic we are experiencing it's an exception set of results.</p> <p>PH was pleased to see call monitoring reinstated in June 2020 and queried why no satisfaction with call handling surveys were completed in Q2. JoW advised that Voicescape, the automated customer contact system is still being implemented and has some issues relating to holding data that are currently being ironed out. It is hoped the surveys will commence in the</p>		

		<p>new year.</p> <p>The Board noted the contents of the report.</p>		
18.	FAR Subcommittee Minutes – 2.11.20	<p>TDk updated the Board on the last FAR Subcommittee meeting:</p> <ul style="list-style-type: none"> • Received report of Covid and the impact on the control environment, which has been brought to Board today. • The internal audit report highlighted that two audits had been carried out at the time of the meeting and both had received good assurance levels – the highest level. • The Health & Safety report was presented and the Legionella Policy was approved. <p>Overall it was a very good meeting with good levels of assurances and the subcommittee were very pleased with report received on covid.</p> <p>SH thanked TDk for the update and asked the Board to note the contents of the minutes.</p>		
19.	Development Subcommittee Minutes – 10.11.20	<p>JW updated the Board on the last Development Subcommittee meeting:</p> <ul style="list-style-type: none"> • There has been significant progress with development. • Planning permission has been submitted for 24 units in Whittington. STAR have had to overcome many challenges. • Richmond House is being transferred to STAR, and it is proposed to have 12 units. JW congratulated the team on securing the property. • Another positive step is the decision to appoint a land finder who will look for other development opportunities. • The subcommittee will need to consider implications of the planning white paper and the potential removal of S106 could be seen as both a threat and an opportunity. 		

	<p>EJ asked if Richmond House will be for general use. SO confirmed we have put forward plans for 12 general use units. SO welcomed JW's comments and wanted to recognise the support of colleagues at the Council in enabling the transfer to move forward. SO also recognised there was a drive from other colleagues at the Council who supported the initiative to have Council owned homes back in Shrewsbury.</p> <p>SH thought it was an absolute success that there will be council owned properties managed by STAR back in the county town.</p> <p>SH thanked JW for the update and asked the Board to note the contents of the minutes.</p>	
	<p>Date of next meeting: 23rd February 2021</p>	

Chair of Board

Signed: Date:
 Managing Director