

MINUTES: PLYMOUTH COMMUNITY HOMES BOARD

Item

Action To Be Taken By

Present: Board Members: Alan Clifford, Sue Dann, Peter Ebsworth (Chair), Zilpah Leahy, William Lean, Elaine Pellow, Jack Thompson, Nigel Warn, Joan Watkins, Christine Watts, Jim Webster

Staff/Advisors : Rob Beiley, Nick Jackson, Gary Seabourne, Martin Snell, Neal Thompson, Clive Turner, Colin Walker

Tenant Services Authority: Steve Fox

Apologies: Sue McDonald

The meeting started at 5.10pm.

1 **Declarations of interest**

None

2 **Chair's Urgent Business**

In order to establish total clarity regarding the quorum for the Board in the pre transfer period it was considered prudent to amend Rule D12 so that the quorum would be the same both pre and post transfer.

RB had discussed this proposal with PCC and the council was in agreement with the amendment proposed.

RB circulated a written resolution for signature by independent members and tenant/leaseholder members.

The Board resolved: **to amend the rules as proposed.**

3 **Minutes of Meeting 30 June 2009**

Agreed

4 **Matters Arising from 30 June 2009**

None

5 Committee Feedback

Finance (27 July 2009)

- The committee had examined the funding offers in detail. This subject would be covered under item 11.

Finance (25 June 2009)

- The committee had discussed the Financial Regulations, Contract Standing Orders, Procurement Strategy and Accounting Policies.
- The Procurement Strategy contained a section which explained that PCH would take account of national and local policies with regard to the use of local labour/contractors.

The Board resolved, in accordance with the recommendation of the Finance Committee: **to approve the Financial Regulations, Contract Standing Orders, Procurement Strategy and Accounting Policies.**

6 Project Update:

In addition to the written report circulated with the Board papers, CT gave a verbal update on the latest developments.

Registration and Negotiations with Plymouth City Council

- PCC had requested a copy of the PCH Business Plan. The TSA would regard the release of the plan to the council as an instance of undue PCC influence.
- NJ/GS would be available to discuss the broad outline of the plan with PCC, but would be unable to share the assumptions/fine detail.
- Further discussion would be needed on the VAT Shelter and the VAT Sharing Agreement.

Human Resources

- The recruitment of the executive management team had been completed.
- Gill Martin had been appointed as Corporate Services Director.
- Sue Shaw (a former HCA Regulator) had been selected to be the Director of Housing and Neighbourhoods.

Assets

- PCC and PCH were close to a firm joint proposal.
- The objective was to 'package' amenity land in a way that

- would ensure clarity of title and effective future maintenance.
- The proposals would endeavour to accommodate neighbourhood boundaries.

Communications

- A potential provider would be giving a website demonstration on 30 July 2009.

Finance

- The Manufacturing Business Plan would come to the Board on 25 August 2009.

The Board resolved: **to note the progress described in the project update report and verbal update.**

7 Section 25 Budget

- Expenditure was in line with expectations.
- The original estimate for the cost of the Tenants' Handbook had been too low.
- A £130,000 underspend was predicted as a result of deferring payment for the finance system.

The Board resolved: **to note the Section 25 Report.**

8 Regulatory Framework and Regulatory Requirements

- Steve Fox (Tenant Services Authority) had begun the regulatory inspection visit.
- SF hoped to share his initial findings with senior management at the conclusion of the inspection on Thursday (30 July 2009) afternoon.

9 Transfer Agreement

- The purpose of the report was to introduce members to the structure of the Transfer Agreement.
- Although the format of the agreement and the key terms were broadly acceptable, some elements such as finance, regeneration and Raglan Court would need further clarification.

Finance

- PCH would need to ensure that the financial elements of the Transfer Agreement did not contradict the assumptions in the

PCH Business Plan and that the organization was protected against future clawback claims.

- The pension deficit for transferring staff was predicted to be £19-20 million. There was no current provision for this deficit in the Business Plan. It was anticipated that it would be funded by PCC (from the VAT Shelter), but this remained to be confirmed.
- Stock transfers rely on warranties, rather than due diligence.
- PCH would have the option to sue PCC if the warranties provided by the council were breached.
- If the council placed any restriction on its warranties, PCH would need to understand the implications and ensure they were compatible with the PCH Business Plan.
- The Business Plan assumed that some works done to leaseholders' flats would be recoverable; PCH would have to confirm that its assumptions did not violate the terms of such leases.
- Experience had shown that recovering the arrears of former tenants was both costly and difficult.
- Trowers advised that PCH should only purchase the arrears if it could buy them for a nominal sum.
- The Board would be given a full list of protocols, SLAs and reverse SLAs between PCC and PCH.

Regeneration

- North Prospect and Devonport would require further discussions.
- The subject of the West End shops was expected to generate significant debate.

Raglan Court

- It was anticipated that the property would be the subject of a leaseback agreement after PCC had transferred the freehold to PCH.

The Board resolved: **to note the Transfer Agreement Report.**

10 Pensions

Neal Thompson (Gissings Consultancy Services Ltd) gave a presentation (please see attached) on the pension options available.

- TUPE regulations required that a body taking over from a public sector organization had to provide a comparable pension scheme.
- The normal way for PCH to provide this would be for it to

seek admitted body status within the Devon County Council Pension Fund (DCCPF)

- The TUPE requirement also included current employees who were not at present members of the DCCPF.
- 'Open' membership of the DCCPF would allow new as well as existing employees to join the scheme.
- 'Closed' DCCPF membership would limit the scheme to transferring staff.
- Due to cost implications very few housing associations offered new employees 'open' access to the local authority scheme.
- In the event of PCH selecting the 'closed' option it would need to consider pension provision for new employees.
- The two options available were either a defined benefit (salary related) or a defined contribution (money purchase) scheme.
- Defined benefit schemes were highly valued by staff, but potentially the most costly to the employer.
- In defined contribution schemes there was no direct earnings link and although the potential for benefits was good, there was no benefit guarantee.

Commentary by Nick Jackson

- One of the premises of the PCH Business Plan was that the employer's pension contribution rate over time would be 17%.
- The contribution rate (20% at present) required for 'open' membership of the DCCPF would push back the repayment date and the banks would not offer funding in this circumstance.

NW left the room, having declared an interest as a trade union representative.

The Board resolved:

- 1 **that PCH should seek admitted body status with PCC and the DCCPF for TUPE staff, but that the scheme would be closed to new employees,**
- 2 **that negotiations would be undertaken on an eligible list,**
- 3 **that the warranties for existing staff outlined on page 10 of the Gissings letter would be requested from PCC (although Gissings' experience was that these warranties were unlikely to be agreed),**
- 4 **that Gissings should undertake further analysis/comparison of the SHPS final salary, SHPS**

**career average schemes and money purchase options
and report back to the Board on 25 August 2009.**

11 Funding Offers

NW rejoined the meeting.

- The Finance Committee had considered the offers in detail on 27 July 2009.
- All three were competitive, Lloyds was the best at the moment, but the others might well improve their proposals.
- Lloyds had sought assurance about gap funding and the property valuation, because their lending covenants were defined by this valuation.

The Board resolved: **to interview all three lenders and to delegate authority to the Finance Committee and Alan Clifford to make the final selection in accordance with the timetable in the Funding Prospectus for a final selection in the week beginning 10 August 2009. Criteria for selection to be based on the most favourable financial terms balanced against risk in the terms and the flexibility of the banking arrangement with lenders.**

12 Insurance

- A report on insurance was anticipated for the Board in September.

13 Internal Audit

- Five proposals had been received.
- The Devon Audit submission had been discounted due to a lack of housing association experience.
- TIAA's experience was limited to registered social landlords and the public sector.
- The contract with the chosen provider would include a performance monitoring element.
- The internal audit procedures would have to be reviewed in the year after transfer.

The Board resolved: **to delegate authority to the Audit Committee for the interview and selection (from the shortlist of PWC, Mazaars and Deloitte) of an internal audit provider.**

14 Asset Management Strategy

SD left the meeting at 7.15pm.

- The strategy covered the first six to twelve months after transfer and would be updated as necessary during this

period.

The Board resolved: **to approve the Asset Management Strategy.**

15 North Prospect

- The regeneration proposal had generated considerable media coverage.
- The drop-in sessions had attracted a large number of residents.
- Additional drop-in sessions would be arranged.
- The freephone line had been very busy.
- CT would continue to update the Board on developments.

16 Performance Management Framework

- Some additional IT would be needed to implement the proposals.
- A commercial income indicator would be added.
- The Customer Focus Committee was taking an overview of resident involvement.
- The Continuous Improvement Groups would report to the Customer Focus Committee.

The Board resolved: **to approve the performance framework proposal and authorized staff to proceed with its implementation.**

17 Contractor Selection-Kitchens and Bathrooms

- 48 companies had registered an interest.
- 27 had responded.
- 25 had proceeded to the PQQ stage.
- 20 companies had been shortlisted and would be invited to tender.
- The tender evaluation process would take account of apprentice numbers and the use of local labour.

18 Any Other Business

- Name plates would be prepared for the next meeting.

19 Date of Next Meeting

- 5.00pm, Tuesday 25 August 2009, Boardroom, Princess Court

The meeting ended at 7.35pm.