



## BYKER COMMUNITY TRUST AT A GLANCE

### BRIEFING FOR BOARD MEMBERS

#### WHAT ARE WE FOR?

BCT is a Housing Association which was established in July 2012 following the successful ballot of Byker residents, proposing the transfer of the estate from Newcastle City Council to an independent body in order to:

- Secure the much needed investment to upgrade the estate;
- Involve residents in greater direction of services on the estate;
- Ensure service reviews led to improvements in the delivery to tenants.

#### HOW IS BCT RUN?

BCT is established as a 'Community Benefit Society' under model rules promoted by the National Housing Federation, the trade body for independent providers of social and affordable housing. BCT's Board has 12 members who are Non-Executive Directors (NEDs) with ultimate legal responsibility for BCT:

- Five tenants elected at the Annual General Meeting by tenant shareholders/members of the Trust;
- Five independent members appointed by the Board and approved at the AGM;
- Two Council nominees appointed by Newcastle City Council.

The Board meets eight times a year and the first part of each meeting is in open session where anyone is welcome to observe. Commercially sensitive and other confidential business is conducted in private session. Papers for the public part of the meeting are published on the BCT website in advance. The AGM takes place in September each year and is open to shareholders who participate and others who can observe the proceedings.

The key areas for the Board to determine are:

- The **organisation's strategy**, currently expressed in the Corporate plan 2015-2020, and individual detailed policies supporting the strategy;
- The **structure of the organisation** in terms of how services are delivered (see Appendix A How BCT Deliver Services), the appointment of the Chief Executive who has delegated authority over the operational work of BCT, and any support required for the organisation to operate efficiently; for example the appointment of our Finance and Audit Committee which oversees the financial performance and the Performance and Services Committee which oversees the operational management framework;

- The **financial resilience and performance** of the organisation to ensure we are robust, solvent and able to deliver to residents as well as ensuring value for money including approval of the **Annual Revenue Budget**;
- **Risk assessment and mitigation** policies so we operate successfully and guard against difficulties in the operating environment;
- **Governance policies** to ensure that we act with transparency and propriety with strategic oversight of the organisation's performance.

We have a set of **Governance Principles**, observe the **Code of Governance** of the National Housing Federation (of which BCT is a member) and publish corporate policies which govern our operations, for example our **Code of Conduct**, **Standing Orders** and **Financial Regulations** among others.

The key reports considered by the Board in overseeing BCT's work include:

- Quarterly Corporate Plan updates;
- Quarterly Strategic Risk Register Reviews;
- Quarterly Operational and Financial Performance Reports;
- Quarterly Investment Programme Reports;
- Annual Review of the Business Plan;
- Annual Review of Health and Safety performance and practice;
- Periodic reports from the Tenant Scrutiny Panel;
- Approval of the Annual Report and Financial Statements.

The Board is supported by two Committees:

- The **Finance and Audit Committee** is responsible for financial oversight reviewing quarterly management accounts, examining budget performance and compliance with the terms of our loans;
- The (newly established) **Performance and Services Committee** oversees the operational activities of estate management, repairs and maintenance and the development of service standards.

## WHAT HAVE WE DONE TO DATE?

Since the stock transfer in July 2012 we have:

- **Started the delivery of the investment promises:** the improvements to the former sheltered housing scheme Avondale House have been completed and it is now home to Armed Services Veterans; the refurbishment of the Byker Wall and the upgrade of the communications and concierge systems are complete; the District Heating Upgrade is proceeding and a new biomass boiler has been installed, stabilising heating charges on the estate (now frozen for five years); Chirton House has been converted to house older residents including adaptations for

people with disabilities; a number of unimproved homes have now been modernised under the so-called Decent Homes 'Omits' programme; the conversion of 10 'hobby rooms' into a much needed new apartments and disabled housing begins in February 2017. To date we have committed over £27M in investment. The next stages of the investment programme involves consultation during 2017 on the environmental upgrade of the estate; we have also completed a comprehensive stock condition survey to help plan future investment programmes;

- **Communication and engagement on the estate has changed in consultation with residents** since stock transfer this has been a priority area for BCT. Shortly after transfer we recruited external specialists to work with tenants on an intensive consultation exercise to develop a Byker specific **Community Engagement and Empowerment Strategy** and **Equality and Diversity Strategy**. We have continued to work with established residents associations and groups as well as establishing a new **Tenant Communications Group** which approves the quarterly newsletter and the Annual Report to tenants; a **Scrutiny Panel** to examine BCT's performance from a tenant's perspective; as well as a Community Budget which has supported local efforts to improve health, diversity, training and employment and anti-crime measures. We commit to continue and create new opportunities to listen to tenants and improve the services they receive.
- **Undertaken a comprehensive review of service delivery** and agreed a programme of change aimed at achieving higher quality services and satisfaction and improved value for money. The new arrangements are a mixture of 'in house' service management and new arrangements with **ISOS Complete Support (ICS)** through a cost sharing partnership.
  - From July 2016 grounds maintenance services have been delivered by ICS;
  - From October 2016 ICS has also delivered repairs and maintenance and income management services;
  - From October 2016 BCT has been directly responsible for the estate and housing management functions.

## WHERE DOES THE MONEY COME FROM?

When the estate was transferred the government wrote off some £26.4M of debt from Newcastle City Council's Housing Revenue Account. BCT's investment programme is financed through borrowing with a small amount of grant support for some projects:

- The major funding comes from a current 10 year facility to 2025 of £26M agreed with **Yorkshire Building Society** to deal with the majority of the estate renewal and investment programme (Avondale House and Chirton House each had some grant assistance to contribute to costs);
- The District Heating Upgrade is funded via a 25 year loan facility at 'prudential borrowing' rates from **Newcastle City Council**;
- The Bolam Coyne development completed by YHN before transfer was funded through grant aid from the government's Homes and Communities Agency and prudential borrowing from NCC. We have paid off the loan element so this asset is now debt free.

## WHAT ARE OUR CHALLENGES AND RISKS?

Stock transfer organisations face significant challenges, especially in their early years:

- Financial resilience given the debt financed investment programme, so income management is of prime importance;
- Delivering on investment and other promises, so realistic timetables and clear communication are vital;
- Creating an identity and the new 'Byker Approach' model so that independence is understood by residents and their engagement is critical to that.

BCT has an established **Strategic Risk Register (SRR)** which highlights the main risks and strategies to mitigate them. The Board reviews these quarterly and they are kept under monthly review by the executive team. Our most important current risks relate to government policy changes – the **mandatory reduction of rents by 1 per cent per year** for four years to 2019-20 (this will lead to a loss of £2M income in that period and a total of £7M in the period up to the end of our current loan facility in 2025); the **cap on rents at Local Housing Allowance (LHA)** level to be introduced in 2019; **changes to funding arrangements for supported (including sheltered) housing; the reduction of Housing Benefit (HB) entitlements for those under 35 years, the freeze on a range of benefits.** These are in addition to the impact of the **bedroom tax** and the introduction of **Universal Credit (UC)** and a further reduction in the overall **benefit cap**. Singly, and in combination, these changes present a significant challenge to the BCTs income management to avoid excessive rent arrears.

## HOW ARE WE REGULATED?

As a 'registered provider' (RP), BCT comes under the regulatory umbrella of the Homes and Communities Agency which publishes a framework of **Regulatory Standards** which details consumer and economic standards.

The HCA actively engages with RPs over the economic standards and actions complaints over failure to meet consumer standards which breach its 'serious detriment' rules. The principal economic standards relate to governance and viability (including delivering value for money) and are assessed annually by the HCA. BCT has 'G1' the top rating for governance and 'V2' for viability recognising that it is compliant but has financial exposures which require careful management (V2 is common to young stock transfers).

The HCA has more recently introduced a 'deep dive' so called In Depth Assessment (IDA) given the adverse risk climate RPs face. This is intended to secure assurance that Boards and executive teams have a clear strategic view of risk management in their operations and an 'iron grip' on managing their exposures to risks to protect tenants, services and organisational viability.

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