**Sixty Bricks Limited Board Minutes**

Meeting Date and Time: **28th March 2022**

Meeting Location: **Via MS Teams**

|  |
| --- |
| **Attendees – Voting Directors** |
| **Name** | **Initials** | **Agency/Job Title** |
| Paul Lowenberg | PL | Chair, Director, Sixty Bricks |
| Joe Garrod | JG | Director Sixty Bricks |
| John Anderson | JA | Director, Sixty Bricks |
| Sarah Wall | SW | Director, Sixty Bricks |
| Rob Manning | RM | Director, Sixty Bricks |
| Darren Welsh | DW | Director of Housing LBWF (only attended for the Board training) |
| **Executive Directors** |
| Jahangir Mannan | JM | Company Secretary & DoF, Sixty Bricks |
| Pacey Cheales | PC | Operational Director, Sixty Bricks |
| Jennifer Currier | JC | Development Director, Sixty Bricks |
| James Briggs | JB | Managing Director, Sixty Bricks |
| **Other Attendees** |
| Stewart Murray | SM | Strategic Director, Regeneration and Growth, LBWF Client |
| Harun Guleid | HG | Principal Accountant, Sixty Bricks – Minute taker |

| **No.** | **Content**  |
| --- | --- |
| **1**  | **Welcome, Introductions and Apologies** DW attended the training session but gave his apologies for the Board meeting.**Minutes, Matters Arising and Action Log** * Risk Management Framework update planned for September Audit & Risk Assurance Committee.

**Action Log:*** Presentation of Action Log to include original target date, revised target date and clear reason for any movement.
* JB: With JC now part of the team some of the action logs will be able to be processed quicker.
* SW mentions that there are two outstanding internal audit items and should be included within the action log. (Roles & Responsibilities document and Risk Management Framework).
* JB to ensure action log and forward plans are reviewed together with the ARAC actions with JM
* JM to add treasury management policy in agenda item for May
* JM to double check if roles & responsibilities document going to the Board in May or to ARAC
 |
|  | **Documented Action Item 1** | **Date Due** | **Lead** |
|  | * Previously updated minutes to be uploaded onto company website
 | May Meeting  | JM |
|  | * Tax implications of RP structure has been added to the forward plan for May board meeting
 | May Meeting | JM |
|  | * Opportunity to use Sixty Bricks Brand to sell other Council homes included for September forward plan.
 | September Meeting | JM |
| **2** | **Forward Planning and Action Log** * Forward plan to be updated through to at least March 2023.
* PL has requested that Forward plan for May needs to include draft Business Plan.
* SW suggests forward plan to be reviewed by ARAC for key deliverables coming up in future.
 |
| **3** | **Strategy Away day feedback****Delivering Business Plan*** PL: Exec team will need to produce draft for next board meeting (May) prior to July shareholder meeting.
* Site acquisition process company need to have a discussion with the client about responsibilities, accountabilities and roles agreed by the board for July at least a draft report.
* Decision on recruitment will also need to be made by then.

**Net Zero Strategy*** The NZC regulatory/policy context and a NZC proof-of-concept with lifecycle cost V value assessment on a “live” Phase 2 scheme will be presented to Board in May. The final NZC Strategy and Action Plan will then be prepared for Board in July.
* The Strategy will also address (i) education/training for residents (ii) monitoring and review of NZC delivery and (iii) focus on off-setting measures within the borough only

**Medium Term Financial Strategy*** Board happy the MTFS was developing well with view to reviewing at May Board.
 |
|  | **Documented Action Item 3** | **Due Date** | **Lead** |
|  | * NZC proof-of-concept with lifecycle cost V value assessment on a “live” Phase 2 scheme to be presented to Board
 | May meeting | PC |
| **4** | **Audit & Risk and Assurance Committee****ARAC Chairs feedback*** SW: two outstanding internal audit items to be included in the risk register.
* JM: Adverts for external and internal auditors now live on the tender portal (30th March deadline).
* ARAC suggested investment decision regarding Treasury Placements should be delegated to the Investment Committee. However, PL not comfortable with this suggestion and this should be approved Board with ARAC retaining the review function.

**Risk Register*** SW: Risk register has been discussed in ARAC committee on 10th March and has been updated since then.
* 4 new items added to the risk register since last Board review, including construction inflation (where prices have gone up by 10-15%)
* One suggestion is to split this risk into subcategories (e.g., inability to find contractors or enter fixed term contracts)
* This will affect mainly phase 2 schemes.
* Another new risk is the Defects Management process where the survey has highlighted adverse customer experiences. PC is now meeting twice weekly with contractors to manage the open defects queries.
* Going forward several actions are being taken to reduce defects such as balconies and fobs (these are lesson learnt especially with two schemes completing in summer).
* Third new item – Not completing the outstanding audit items.
* Fourth new risk added is with respect to increased borrowing rates across all sectors.
* LBWF has commissioned piece of work reviewing borrowing rates as well as equity injection. Currently awaiting feedback on this.
* SW suggests company should run cashflow stress testing.
* PL: company needs a report for Board on proposed terms for phase 2 borrowing and needs to be integrated into the financial component of the business plan.
* SW: Business Plan needs to be updated for inflation expectations on the construction costs and sales receipts.
* PL: Exec team must ensure it has reviewed the Risk register in a contemporary fashion before it goes to the Board to identify and mitigate any presentational nuances and to provide greater clarity in the remedial actions (e.g., specific dates).
 |
|  | **Documented Action Item 4** | **Due Date** | **Lead** |
|  | * To investigate the outstanding audit items and add them onto the action log and risk register.
 | May meeting | JM |
|  | * Report on the proposed terms for phase 2 borrowing
 | May meeting | JM |
|  | * Ensure Business Plan updates are consistent for inflation on construction and sales.
 | May meeting | JM |
| **5** | **Finance Dashboard*** PL highlighted that working capital balance showing £1.8m to £1.9m until December 2022, which is close to the covenant and queries if we are able reduce this earlier to mitigate interest charges.
* JM: Company is looking to prioritise debt and equity repayments for Centenary house now that all the sales are almost complete.
* Also trying to ensure enough resources remain to cover any overheads expenses and minimum of 3 months of running costs in anticipation of completion of Essex Close and south grove.
* JM: development finance most expensive debt and should be paid first, then look at repaying working capital if there are any surpluses.
* PL: £200k operation expenses have gone up. Any significant variations should be accompanied by appropriate explanation.
* JM: £200k is an annual variance due to increased staffing cost during the year but should reduce as we are moving from interim staff to permanent staff for the new year.
* Cost of sales on the P&L account shows an increase due to variation of contract price and fire safety costs at Centenary House.
* PL queried why there isn’t any update on the costs for Priory court scheme.
* PL: All costs at project level should be reviewed by Exec Team before they are reported to the board.
* PL also concerned about the impact of the £9m projected spend total in 2022-23.
 |
|  | **Documented Action Item 5** | **Due Date** | **Lead** |
|  | * Ensure any significant variations are accompanied by appropriate explanation
 | May Meeting | JM |
|  | * Priory Court cost scheme to be reviewed and updated within the financial dashboard
 | May Meeting | JM |
|  | * Confirm if reprofiling will be required for the £9m projected spend total in 2022-23 to match the planning submission dates.
 | May Meeting | JM |
| **6** | **SBL Dividend policy*** Shareholder agreement stipulates that Sixty Bricks should include a dividend policy statement within its business plan but does impose any dividend pay-out which remains a decision for the company Board.
* report is proposing not to distribute any dividends and rather prioritise the profits for debt repayment.
* Overall, company not anticipated to distribute dividends in the phase 1 and phase 2 schemes up to 2025.
* SW queried if the company has debts to be paid, would there be any distributable profits anyway.
* JM: in the current year company is forecasting a profit position (so could in theory choose to offer dividends). However, the company has incurred losses in previous years. Therefore, expect to have surplus cash beyond that used for working capital repayment.
 |
|  | **Documented Action Item 6** | **Due Date** | **Lead** |
|  | * Policy to be included within the revised Business Plan and ensure that the format is more formalised rather than a discursive narrative.
 | May Meeting | JM |
| **7** | **2022/23 Draft Revenue & Capital Budget Report*** Draft Budgets split into three main categories: income, revenue/overhead costs, and capital.

**Income*** 2021/22 Outturn includes centenary house sales income. However, 2022/23 income is expected to increase substantially (up to £25m) with sales South Grove and Essex.

**Overheads*** Staffing budget to be set at c£1.6m
* Current year total forecast spends of £2.3m for all overheads, and proposed target for next year is £2.2m.

 **Capital Budget.*** £40m expected spend for phase 1 and phase 2 in 2021/22, with a proposed budget of £17.5m 2022-23 as per the approved schemes.
* A further £4.7m of phase 2 scheme to be approved subject to business plan for 2022-23.
* JM: Main risk item is Priory Court as spend is estimated to be £4.2m for 2022-23 so may slip.
 |
|  | **Documented Action Item 7** | **Due Date** | **Lead** |
|  | * Exec team to review if there are any material discrepancies within the budgets which may cause further slippage subject to agreeing final budget.
 | May Meeting | JM |
| **8****8.1**  | **SBL Programme Dashboard****Phase 1*** PL suggests amendment to the existing layout of the programme dashboard. Any schemes that are not yet on site should include clear time scales.
* There is outdated historic text still included within the document and there needs to be further explanations of scheme delays from the original targets.
* Centenary House scheme has highlighted two main issues: the defects process and the resident moving pack. Both need to be improved for future schemes. JC and PC will be working with a consultant to improve both matters going forward.
* The PC dates for Essex and Samson have slipped. Essex has slipped from May to June. Sansom has moved from April to June. The main reason for this slippage is the requirement of section 278 works.
* As they were provisional sums within the contract, the cost of the section 278 works forms part of the contingency budget for the schemes.
* South Grove & Hylands schemes are still expected to PC in Autumn 2022.
* The Priory Court planning submission target date has slipped from June to July due to Purdah as instructed by the client.
* The sales programme at Essex Close is going well – with only one private unit remaining.
* PC: All the sales units have achieved full market value.
* The final unsold unit is a ground floor unit and there have already been several viewings planned in.
* The South Grove scheme will launch its sales process imminently.
* Some cost pressures in Phase 1 have been identified, which may require more contingency budget.
* JC: company has not yet exceeded the current contingency budget but is expected to do so within the next few weeks.
* In April, there is a planned paper being taken to the council’s Housing Investment Group (HIG) to agree the HRA costs related to the contingency being exceeded.
* JM: the contingency list includes items that may not materialise. Most costs sit with housing within the HRA budget. The Sixty Bricks element are contained within the revised forecasts.

**Phase 2*** The scheme at Pastures is currently on hold.
* Vicarage Rd: squatters currently occupy the site and there has been a legal order for them to be vacated. Cannot complete required surveys until this is done.
* Church Lane is progressing smoothly
* Hylands Phase3 is currently awaiting further approval from the client side.
* Cluster C sites currently on hold and awaiting further client instruction before proceeding.
* The key phase 2 risks are highlighted as construction costs and inflation pressures.
* Depending on the phase 2 schemes investment committee may look for gateway approval and analyse specific issues.
* Investment committee to look at overall programme risks the schemes and analyse specific issues.

**Centenary House - Shared Ownership Rents** * PC introduced the confidential briefing note which set out the proposed approach to resolve the dispute with Red Loft regarding SO rent miscalculations
* The majority of affected residents have agreed to rectify the discrepancy, which reduces the potential rent loss to the HRA in future years. A number of Red Loft payments are currently on-hold
* Although the company could face reputational difficulties as a result of the errors, the direct financial loss is a risk factor for the Council
 |
|  | **Documented Action Item 8** | **Due Date** | **Lead** |
|  | * Include clear timescales for schemes not yet on site
* Review and update any outdated historic text still included within the document.
* Include update on Cluster C schemes where the report should make clear if the council has scrapped the schemes or should denote the obstacles to their progression
 | May Meeting | JC |
|  | * Set up dates for next 12 months for investment committee to look at overall programme risks
 | May Meeting | JC |
| **9** | **Social Value Delivery on site*** ESG Balanced Scorecard outturn, including Social Value delivery, will be presented to Board in May
* The report presented the outcome of collaboration between the company, Council and Equans using the Social Value portal
* So far £4.5m of social value contributions have been delivered, with £2.5m spent on local employment and £1.25m on local supply chains and £290k on local apprenticeships.
* The non-financial benefits include 72 people employed locally (directly or through supply chain).
 |
|  | **Documented Action Item 9** | **Due Date** | **Lead** |
|  | * Develop plan for increased media/communication to highlight what the company is doing at a local and national level.
 | May Meeting | PC |
| **10** | **Phase 2 Procurement*** Key points agreed at Strategy Away Day were confirmed in report
* Agreed to align revised start-on-site dates with Programme Dashboard
 |
|  | **Documented Action Item 10** | **Due Date** | **Lead** |
|  | * PC to proceed with procurement approach set out in paper
 | May Meeting | PC |
| **11** | **Organisation strategy*** Key points agreed at Strategy Away Day were confirmed in report, specifically:
* Establishment of an additional executive team role of Director of Strategy, Performance and Communications
* Agreement in principle to establish a Land Acquisition function reporting through the Development Director function. There is ongoing work that JB and JC are doing with RM to map out the function.
* PC and JC have started work on the permanent recruitment campaign for spring 2022
* PC to produce a brief for the leadership development for executive team.
* ARAC will maintain an overview of the company’s workforce composition between permanent/interim resources and associated strategic, operational, and financial risks.
* PL has requested a financial framework to set out how revenue spend for staff and overheads compare to the programme size, with benchmarking to see how the organisations growth may impact staffing.
* Proceed with approach set out in paper
 |
|  | **Documented Action Item 11** | **Due Date** | **Lead** |
|  | * Development brief to be shared with the chair and to consult with Board as necessary
 | May Meeting | PC |
|  | * To establish suitable framework on how revenue spend for staff and overheads compare to the programme size
 | May Meeting | JB/PC |
| **12** | **AOB*** Exec team to review and rationalise forward plan and action logs
 |