

Minutes of the 202nd meeting of the Directors of the Company held at Part 1st Floor, 3 Piccadilly Place, Manchester M1 3BN on 29 October 2024

Present:

Baroness Natalie Evans (NE) - Board Chair
Michael Stark (MS) - NED
Tracy Vegro OBE (TV) - NED
Kevin Holland (KH) – Chief Executive Officer and Accounting Officer
Helen Powell (HP) – Director of Finance and Resources
Andrew Jones (AJo) – Shareholder Representative Director, Department of Energy Security and Net Zero (DESNZ)

Attending:

Alison Jeffers (AJe) – Interim Chair of the Audit, Risk and Assurance Committee (ARAC)
David Conroy (DC) – Board Observer
Claire Davies (CD) – Board Observer
Gemma Gregory (GG) – Director of Organisation, Design and People
Andy Carter – Director of Communications (for items 6 and 7)
Simon Sharkey Woods (SSW) – Director of Data and Information Systems (for items 6 and 7)
Paul Atkinson (PA) – Deputy Director of Finance (for item 7)
Julie Ellis (JRE) (minutes) – Head of Governance and Company Secretary

QUORUM

A quorum being present, NE declared the meeting open.

1. WELCOME, INTRODUCTION, APOLOGIES AND DECLARATIONS OF INTERESTS

All Board members were present. There were no apologies or declarations of interests.

The Chair welcomed KH to his first Board meeting as Salix's Interim Chief Executive Officer and Accounting Officer.

2. MINUTES AND UPDATE ON ACTION ITEMS

The Board agreed the minutes of the meeting of 22 August 2024 as a correct record.

All other action items from the above meetings were dealt with or covered on this agenda.

3. CEO UPDATE

KH gave a verbal update on his first month in post.

The Board noted that he has met key stakeholders including contacts in DESNZ and has attended a Board, ARAC and RemCo meeting. KH has met all the Salix housing team in person and all staff virtually through the monthly town hall meeting. He has met the outgoing CEO and outgoing Head of Housing, with the Executive individually, the Senior Leadership Team as a group and now intends to have one-to-one meetings with SLT members. Visits to project sites are due to start next month.

The Board noted KH's initial observations on the organisation and plans to address issues arising:

- As there is cross-party commitment to reducing carbon emissions and the significant carbon generated by buildings, Salix could do more to capitalise on promoting more widely its mission to help save the planet. The beginning of a new government cycle is timely.
- The delivery teams and programmes are strong, but governance and finance processes require further development given the significant sums of money administered and in light of potential growth or significant change in the organisation.
- Salix has undergone significant change from private company to non-departmental public body (NDPB) and rapid employee expansion into the social housing sector. It needs to remain agile for alternative pathways in the future.
- While Salix has some influence, our formal input into government policy is limited and we have no dedicated strategy resource which needs to be addressed.
- Employees are welcoming, committed and diligent, a view which appears to be shared by clients but there is a need to develop stronger civil service skills.
- Salix should develop its core messaging and measure its client engagement and advocacy.
- Formal assurance across the executive team should be introduced on a quarterly basis.

The Board noted that the Transformation Office is now operational and a new intranet, "MyHub" was launched last week which builds people engagement further from weekly newsletter WattsOn.

4. UPDATE FROM ARAC CHAIR; ANNUAL REVIEW OF ARAC TERMS OF REFERENCE

AJe gave an update of the recent work of the Audit, Risk and Assurance Committee (ARAC) and the proceedings from the ARAC meeting of 17 October.

The Board noted the following key points arising:

- Discussion relating to the annual report, financial statements, associated documents and assurance will be dealt with during later agenda items.
- Three new risks added to the Corporate Risk Register have materialised into issues without ever having been identified at the "risk" scanning stage.
- Salix were engaging with DESNZ to consider if rules restricting the use of advance payment bonds (APBs) by grant recipients (to ensure the completion of building projects) can be modified. These are commonly used in the construction industry where advance payments to contractors are secured with a bond or insurance policy, but their use risks infringing current rules relating to i) evidence of need; and ii) the timing of payment being claimed in relation to completion of works. Salix has asked grant recipients to declare any such use. The Board noted that DESNZ are concerned that current rules not being followed, and the issue will be discussed at its own ARAC shortly.

- Request from ARAC Chair that authors of papers submitted to ARAC are present if they will be discussed at a meeting and that up to date papers are resubmitted if deferred.

The Board were asked to consider and approve revised Terms of Reference (ToRs) for ARAC following ARAC's recommendation. These terms are reviewed annually. Changes to be made:

- i) permit non-Board members to join the committee; and
- ii) remove the reference to DESNZ's right to appoint an observer at ARAC meetings, as the shareholder director member of the Board is required as a term of their appointment to sit on the ARAC.

Having been recommended by ARAC, the Board **APPROVED** the amendments to its ToRs.

5. UPDATE FROM REMCO CHAIR; ANNUAL REVIEW OF ARAC TERMS OF REFERENCE

MS gave an update of the recent work of the Remuneration Committee (RemCo) and the proceedings from the RemCo meetings of 13 September and 11 October.

The Board were asked to approve the change of name of RemCo to "People and Remuneration Committee" to reflect more appropriately its role in people strategy and culture development.

The Board noted the rigour in the committee's proceedings and decision-makings. Work will continue on the development of underlying processes and an update on progress will be presented to the Board in six months.

Action – People and RemCo Chair to report on Committee's continued development to an early 25-26 financial year (FY) Board meeting.

The Board noted that there are executive team objectives in place, and that Salix is still developing its system of performance standards, performance assessment and reward policy. The Board recommended to consider standard civil service performance appraisal tools.

The Board were asked to consider and approve revised Terms of Reference (ToRs) for RemCo following RemCo's recommendation. These terms are scheduled to be reviewed annually. The proposed changes acknowledge the enlarged scope of RemCo to play an advisory role in respect of employee terms and development. There is a further change to permit non-Board members to join the committee pending the expansion of the Board.

The Board noted the appointment of DC to RemCo with effect from 17 September 2024. It was further noted that the process of DESNZ to appoint two further non-executive Board members was close to completion.

Having been recommended by RemCo, the Board **APPROVED** the amendments to its ToRs.

6. [CONFIDENTIAL ITEM]

7. ANNUAL REPORT AND FINANCIAL STATEMENTS

HP introduced Paul Atkinson as the interim Deputy Director of Finance.

The Board received the following documents for this agenda item:

- (i) Draft Annual Report and Financial Statements (ARA) for FY 2023-24 and key highlights from the FS
- (ii) The National Audit Office's (NAO) Report to the Board
- (iii) Draft Letter of Representation appointing the NAO as auditors to conduct the audit of the annual report and accounts
- (iv) NAO's Draft Audit Completion Report on the 2023-24 Financial Statements Audit
- (iii) Assessment of Going Concern & Letter of Comfort from DESNZ regarding its funding of Salix

The Board considered the ARA (item (i)) and approved this in principle. As there were amendments to be made to the ARA which were not of a significant or material nature, the Board agreed to delegate finalisation to KH as Accounting Officer on their behalf.

The NAO has completed their audit however, the final review by the senior statutory auditor has still to be completed as the auditor had been unavailable. The Board noted that the audit of Salix's FS had been selected for internal review by the NAO, which can only be completed after the senior statutory auditor's review.

The accounts and remuneration report as included in the ARA submitted to the Board are final. However, further minor changes of consistency and style would be made to the strategic report section of the ARA. The Board requested that reference to the expansion of the Board be included in the Board Chair's statement.

The Board also noted the indication from the senior statutory auditor signing on behalf of the NAO that the going concern threshold was met. They further noted that the letter of representation (item (iii)) that would be signed by KH as Accounting Officer as circulated would be amended slightly to include an additional sentence regarding going concern following the update made by Salix to the going concern statement in the accounts and to update the table of unadjusted misstatements as some of these had now been adjusted for.

The Board noted that after the ARA has been signed it is then submitted to the minister (as shareholder) for final approval before being lodged with the House of Commons library for filing. It is only then that the ARA can be filed at Companies House and published on Salix's website.

To ensure that this filing can take place by the deadline of 31 December, the Board were asked to delegate under Article 9 of Salix's Memorandum and Articles of Association authority to sign the ARA and associated documents to the Chief Executive. If any further material amendments would be required to the documents, these will be returned to the full Board for consideration.

Subject to there being no material changed to these, the Board **AGREED** to delegate to the Chief Executive and Accounting Officer signing on their behalf of the final versions of the:

- Annual report and accounts; and
- Letter of Representation.

8. BOARD OBJECTIVES AND BOARD EFFECTIVENESS REVIEW UPDATE

The Board discussed this paper i) seeking approval to set the Board objectives and ii) updating regarding the Board effectiveness review.

As part of the government's review of Salix as an Arm's Length Body (ALB) that took place from September 2022, eighteen recommendations were made in the light of the findings issued in January 2023 (see paper 9). Included were requirements that:

- i) individual Board members are subject to appraisal; and
- ii) the Board conducts a review of its own effectiveness.

The Board noted that both exercises are more meaningfully conducted in the context of clear Board objectives.

Board objectives

The Board discussed the scope and quantity of the draft objectives presented, which included effective governance, managing public money, Salix's status as a private company, stakeholder engagement and committee-specific matters. It was noted that self-assessment, performance or challenge to the executive had not been covered, but it was explained that these had been considered to be fundamental of the roles of non-executive Board members than as the focus for shared objectives.

Salix will conduct an audit of key board purpose, job description, recruitment, induction and training documents, which will be made available to Board on the Board paper portal that is in the course of being procured.

Action - KH and GG to report to December Board meeting on steps to collate and develop key Board member documents.

The Board noted TV's observation about the delays with the schedule to register for the recommended Cabinet Office training for public body board members.

The Board **APPROVED** the objectives.

Board effectiveness

The Board were invited to consider a series of 24 questions to be put to Board members and other selected stakeholders as the basis for the scope of the effectiveness review. The questions were based on the requirements of Managing Public Money and the Cabinet Office guidance "Board effectiveness reviews: principles and resources for arm's-length bodies and sponsoring departments". The Board noted that this would be the first review conducted since Salix became an ALB and that its scope would need to be approved by DESNZ before issue. It was proposed that this inaugural review be internal. An external review is required every three years and could take place shortly afterwards.

The following observations were made on the draft:

- The requirement that precedence be given to obligations under company law should be included in the section relating to the duty of Board member to consider their duties as directors of a private company.
- Questions could be more tailored to Salix as an organisation.
- Thematic arrangement of questions would make them more focussed.
- Examination of agenda content, time allotted to discuss issues and how we capture best practice would make assessment more qualitative.
- Separate questions on committee performance would enable a more complete assessment of effectiveness.

The Board discussed whether this first review should be conducted externally, but the prevailing view was that in the light of uncertainty about Salix's future and the identification of some early enhancements possible for Board process, an internal review was the best option at this stage, with an external review following shortly after the new process had bedded in. Salix will ensure that all relevant guidance e.g. Cabinet Office on ALB reviews is considered during this exercise.

Action: JE to refine the scope of the review questions in the light of feedback received.

It was further noted that Salix was reviewing the order in which it considered its business, to ensure a more logical flow of information through the approval processes.

Action – KH to incorporate revised business planning for December Board.

PART 2: PAPERS FOR NOTING

9. ALB REVIEW UPDATE

The Board noted this update. There was no significant progress to report in the light of a lull in activity in the period around the election of the new government.

10. RISK REGISTER UPDATE (register updated as at 24 September)

The Board noted this update; see 5 above.

11. SCHEMES OVERVIEW

11.1 Public Sector Schemes Update

The Board noted papers on the public sector schemes.

11.2 Housing Schemes Update

The Board noted papers on the housing schemes.

It was further noted that Salix and DESNZ housing teams are meeting weekly to address the challenges to spending funding under the Home Upgrade Scheme and meet home improvements targets by the end of the year.

The Board noted the importance of document retention policy across multiple media to meet needs of FOI/SAR and corporate information.

Action – GG to investigate current data retention practices as part of policy review exercise.

11.3 Grant Audits Update paper

The Grant Audits Update paper was withdrawn from the agenda.

12. OPERATIONAL PERFORMANCE

The Board noted the paper on operational performance for the period ended 30 September 2024. It was also noted that the process for compiling/preparing the 25-26 budget had commenced and that this had now been preliminarily commissioned by DESNZ, however, the timetable for submission had still to be confirmed.

13. AOB

13.1 Formal notification of changes to Companies House Register

The Board noted that the following changes had been made to the Companies House Register with effect from 4 October 2024 in respect of the Company's officers:

- the resignation of Emma Clancy as a Board director; and
- the appointment of Kevin Holland as a Board director.

The Board noted that Salix's Register of Directors has been updated under section 162 of the Companies Act 2006.

13.2 NED and executive team networking lunch

It is proposed that the Board members and executive team attend a networking lunch together after the next Board meeting on 12 December.

Action – JE to change the current Board meeting time from 09:30 – 11:30 to 10:00 - 12:00 to accommodate the above.

14. CLOSED SESSION OF THE BOARD IN THE ABSENCE OF OFFICERS

The non-executive members of the Board and GG had a discussion in the absence of all other officers, for which a separate confidential note was taken.

DATE OF THE NEXT BOARD MEETING

The next scheduled meeting of the Board is on Tuesday 12 December 2024 in our London office.

Baroness Evans of Bowes Park

12th December 2024

Chair

Date

Summary of Actions:

ACTION 1: People and RemCo Chair to report on Committee's continued development to an early 25-26 FY Board meeting.

ACTION 2: KH and GG to report to December Board meeting on steps to collate and develop key Board member documents.

ACTION 3: JE to refine the scope of the Board effectiveness review questions in the light of feedback received.

ACTION 4: KH to incorporate revised business planning details for December Board.

ACTION 5: GG to investigate current data retention practices as part of policy review exercise.

ACTION 6: JE to change the current December Board meeting time from 09:30 – 11:30 to 10:00 - 12:00 to accommodate Board member and executive working lunch.