

Mar 17, 2022

## Minutes of the Board meeting held on Tuesday 1 February 2022 in the offices and on Zoom

Present (in the office)	Eileen Tamburrini
Present (via Zoom)	Brian Corrigan, Chair Kelly Ferns, Vice Chair Heather Thomson, Secretary David Brown, Susan Skelton, Ken Robertson, Patrick Marshall
Attending (in the office)	Paul McVey, Director Paul McColgan, Head of Property Services (HPS) Andy Thomson, Head of Housing Services (HHS) Alana Durnin, Finance Director (FD) Shonaid Musgrove, Corporate Services Officer (Minutes)
Attending (via Zoom)	Liz Bowden, Head of Corporate Services (HCS)

<b>1.</b>	<b>Apologies &amp; Declarations of Interest</b>  Apologies had been received from Jacqueline Smith and Eleanor Robertson. David Brown intimated he would need to leave the meeting at 7pm.  There were no declarations of interest.
<b>2.</b>	<b>Minutes of Meeting held on 7 December 2021</b>  The minutes were taken as a true record.  <b><u>Resolution</u></b> The Minutes were proposed, seconded and approved.
<b>3.</b>	<b>Matters Arising/Outstanding Actions</b>  The only items outstanding were:- <ul style="list-style-type: none"><li>• Actions from the working group to be updated on the Global Action Plan</li><li>• Kings Glen lessons learned exercise still to be carried out.</li></ul>
<b>4.</b>	<b>Tenant Satisfaction Survey</b>  The HHS introduced Lorna Shaw (LS) of Research Resource to the meeting who would make the presentation. LS would present a brief summary of the key findings. They were as follows:- <ul style="list-style-type: none"><li>• 687 interviews carried out in Oct/Nov 2021.</li><li>• This was a 61% response rate and Cloch should have confidence in this.</li><li>• Provides data to a +/- 2.6% accuracy. The Scottish Housing Regulator (SHR) looks for +/- 5% so Cloch's well within this range and gives a truer picture.</li></ul>

- Survey compares latest data with the previous 2 ones carried out in 2018 and 2016. The Annual Return on the Charter (ARC) data was released in September 2021 and will reflect surveys done pre-pandemic.
- Survey shows a decrease in satisfaction but this is a sector wide problem.
- Overall satisfaction down from 91% to 87%; main reason given relates to repair type issues.
- Communication preferences are newsletter/letter/email/text in this order. Trends by age (ie working age) show that digital communication is preferred though.
- Tenants still feel Cloch is good at keeping them informed – 94% - which is above the Scottish average and demonstrates sustained, strong performance here.
- Tenants still feel Cloch provides them with opportunities to participate – 93%- again a good sustained, strong performance.
- Repairs satisfaction has decreased to 82% from 87% and below the Scottish average of 90%. However, comparing to the SHR ARC figures not necessarily fair as their survey pre-pandemic.
- Drilling down to the dissatisfaction with repairs there are still some areas where satisfaction is very high eg ease at reporting a repair/make an appointment for a repair. Satisfaction has decreased in time taken to complete a repair, when workers going to call and in the quality of the work.
- Quality of the home has decreased to 77% from 92%; below the Scottish average of 87%. This decrease has been noted with other landlords too. This could be that people spent more time in their home due to the pandemic and there was an increase in wear and tear of property plus repairs were delayed.
- Management of neighbourhoods decreased to 87% from 94% but still above the Scottish average of 86%. Issues to do with bins, waste, refuse and ASB were the main contentious areas.
- Value for Money (VfM) reduced to 72% from 81%. This is below the Scottish average of 83%. This decrease in line with those of other local landlords.
- My Cloch app/portal. 30% already use it with a further 11% interested in using it. Trends show younger/working age tenants most likely to use it. Only 1 in 10 of over 65's interested.
- Tenants were asked about future contact with Cloch and the majority stipulated by telephone/email/letter/text. Only a small number indicated they would prefer a visit the office/their home. For those who wanted a visit their preference was for face-to-face contact.
- Affordability. This was directed to those tenants who pay rent/partial rent themselves. 51% said it was fair and affordable. 44% said heating their home was affordable. However, this will get worse with the recent increase in fuel prices. 29% stated they didn't put the heating on as they couldn't afford to. This has almost doubled from last survey (14%).
- What did the Association do well in – reasons were good repairs/maintenance service, generally happy with service, communication, listening, and customer service. Areas to improve – 61% don't know; others were upgrade homes, repairs service, communal repairs, cheaper rents, improve estate management.
- Benchmarking satisfaction shows decreases but these are not in isolation; other local associations the same.

The HHS apologised that the report issued to the Board had the tracked version; it should have been the final version. He advised that the Leadership Team will create an Action Plan from the survey to work through. The Director stated that results from our Housemark data demonstrates that even out with the Inverclyde area there

is a reduction in satisfaction and it is assumed that this relates to the pandemic. The Director intimated that repairs had taken a massive hit when only emergencies were allowed. This created a back-log. Regarding VfM Cloch acknowledges it has higher rents but are trying to redress this and the rent restructure is doing just that. It also has to be noted that Inverclyde has the highest levels of poverty in Scotland which impacts on this. However, with this data we can revisit our Business Plan targets and modify where applicable.

A Board member commented that the survey showed tenants were both satisfied and dissatisfied with the same topic i.e. repairs. The Director agreed and hoped that further investigation will reveal particular issues when looking closer at the data. The HPS stated that the ongoing upgrade works may increase satisfaction. The HHS also intimated that telephone/online surveys often give a less favourable account than face-to-face ones. Analysis of the comments comes into its own in these instances to see any underlying issues.

Another Board member stated that it was important not to ignore the positives that came out of the survey such as the areas of communication and participation.

The Board thanked LS for attending to make the presentation.

LS left the meeting at this point.

#### **5. Rent Increase 2022/2023**

The HHS intimated this item should be taken in conjunction with the next agenda item (No 6 – Final Budget). They advised that the 2.5% rental increase was agreed to proceed to consultation in December 2021 as well as limiting the rent restructure uplift to a maximum of £10 where applicable. The consultation took place in December and was via the ‘My Cloch’ online portal; or tenant had the option of calling the office to go through the process.

The HHS advised that the response rate was much lower than usual - 7.9%; normally around the 10% mark. This was still a reasonable representation though. The HHS stated that of those tenants who did not respond (92%) we had no way of knowing if they were happy or unhappy. The HHS stated that our rental increase is the lowest one being consulted on within Inverclyde. Section 7 of the report gave the breakdown of responses with 51.3% of these disagreeing with the increase. However, 72% of respondents thought that their rent provided value for money.

From the data in the GWSF it showed that Cloch was in the lower end of rent increases for housing associations and the lowest being proposed for Inverclyde.

The HHS asked the Board to consider approving the 2.5% rent increase, limiting the rent restructure uplift to a maximum of £10 and approve the revised Service Charge Setting policy. A winner would also be picked from those tenants who had completed the TSS.

Board members made the following comments:-

- Good overview of the report made;
- Some interesting comments made by tenants on the “word cloud” page;
- Look to share the comparisons in a future newsletter;

- Amount of negativity is relatively small

### **Resolution**

The rental increase of 2.5% was approved together with a maximum rent restructure limit of £10.

The Board then moved to agenda item 10.1 (service charge setting policy) that had been discussed at this point.

### **Resolution**

The Service Charge Setting policy was approved by the Board.

## **6. Final Budget and Financial Plan 2022/2023**

The Finance Director (FD) advised that this report focuses on the changes made from the first draft submitted in December 2021 and the outcomes related to the changes. The key points to notes were:-

### **Headlines**

- Turnover sitting at £9.4m
- Surplus is £861k
- Cash held £3.4m
- Net worth is £17m

### **Breakdown of Annual Expenditure**

- Depreciation of 29%; largest proportion of expenditure
- Followed by 24% management costs (staff salaries, legal fees, etc)
- 17% capitalised planned maintenance
- 15% routine maintenance
- Remainder included net interest, service costs, bad debts

### **Impact of Changes**

- Changes show cash and surplus going down
- Income down by £25k; change to service charge costs and furniture replacement budget.
- Estate costs increased by £50k (asbestos removal costs added to budget)
- Salary costs increased by £31k – inflation uplift increased from 3.5% to 5.2% for prudence & transfer of salary from Other Activities / ICHR resource to mainstream salaries. Also standalone Finance Team & new Housing restructure modelled.
- Overheads increased by £79k re: dispute with Maukinhill contractor and £50k provision added to legal fee / increase in training re: equalities.

### **5-Year Cashflow, Statement of Comprehensive Income & Financial Position**

- Showing an average of £3.4m in cash which is really good / steady – target of holding the equivalent of 3 months' net rent income in cash terms exceeded.
- Additional benchmark of £3m equivalent added in, (plus inflation uplift), to assess cash balances at a higher liquidity test.
- Surplus – some movement but still good projections
- Covenants already adjusted with lenders for 2021/22; need to keep communication/dialogue open with lenders so do not breach covenants in

2022/23 if there is a high level of carry forward, e.g. higher than £420k headroom projection.

- Interest cover covenant met over the period under review.
- Net worth projected as £17m by March 2023 and up by 5% against March 2022 projections, showing steady growth.
- Gearing percentage good – low at 13% versus maximum of 50%, highlighting we have capacity to raise additional loan funding if needed.

#### 30-Year Cashflow

- Good position. Will go up and down as links with planned maintenance programme / expenditure.
- Target of holding the equivalent of 3 months' net rental income in cash terms exceeded in all years.
- Cash steady over the next 10 years at £3.6M, with lowest point of cash £3.2M in year 11.
- Cash increases from year 22 when loans reduce down to £2.4M.
- Covenants tested over 30 years – met in 27 of 30 years / exceptions are years 2030/31, 2039/40 & 2041/42, however planned maintenance could be smoothed to mitigate risk.

The FD asked if the Board had any questions on the final budget presentation. There were none.

#### Resolution

The Final Budget 2022/23 was proposed, seconded and approved.

### **7. Stress Test on Financial Plan**

The FD took the meeting through the report advising that the top risks identified by the Board on the 20/1/22 were stress tested to see how changes would impact the cashflow.

The FD stressed the importance of “no rent freezes”; rent affordability was extremely important, however a rent freeze has a compounding impact affects the cashflow for future years. Even a 1 year freeze on rental income would be high risk for the cashflow. With the increase in poverty, future years rent decisions will need to be monitored for impact over the short / medium and long term and balanced to keep our finances secure.

The FD highlighted how a “below inflation” rent increase would give cause for concern. The graphs depicted this scenario as well as an “inflation only” rental increase. These would eat into the cash reserves. Testing was also carried out on increases to maintenance costs, loan funding costs, voids and bad debts.

A Board member asked if Cloch's management costs were high in comparison to benchmarking groups. The FD replied no, that Cloch's are actually quite lean in comparison to others. This can be seen in some of the Housemark data being presented later.

#### Resolution

The Board noted the report

<p><b>8.</b></p>	<p><b>Financial Regulations Review</b></p> <p>The FD took the Board through the report and advised that it was to bring finance regulations in line with the recently approved Scheme of Delegation (Oct 2021). This took account of the new, in-house, smaller Finance team and to increase levels of authorisation. This would help with the ease of banking payments.</p> <p><b><u>Resolution</u></b> The Board proposed, seconded and approved the changes.</p> <p>This concluded the last of the presentations to the Board by the FD who was leaving the organisation shortly. The Chair thanked the FD for the years of good service and excellent Board reporting.</p>
<p><b>9.</b></p>	<p><b>Director's Report</b></p> <p>The Director summarised the report via a presentation and the following key points were noted:-</p> <ul style="list-style-type: none"> <li>• Head of Finance recruitment unsuccessful; alternative plans for buying in services being addressed for a 6-12 month period to stabilise new Finance team. A lot of training and learning taking place with Finance team presently.</li> <li>• IT service level agreement being worked on.</li> <li>• Report next month on the Governance Activity Plan (GAP) working group outcomes and Strategic Risk Management session (approval required).</li> <li>• Two of 3 long-term absences are now back on phased returns. The other case will be dealt with via the Finance &amp; Corporate Services (F&amp;CS) sub-committee.</li> <li>• Housing section restructure continues and internal recruitment complete. Will shortly be advertising externally for 2 new posts.</li> <li>• Cloch+ work is ongoing.</li> </ul> <p>The Director thanked the Board for the in-between meetings decision that was required regarding the RBS loan.</p> <p><b><u>Resolution</u></b> The Board approved the report on the Strategic Risk Management session and agreed with the identified risks.</p>
	<p>The Director moved onto a separate presentation: Housemark Benchmarking – Data Headlines. Key staff are required to upload quarterly statistics which can be time-consuming but the information provides the Association with an insight into how its performance compares to other associations.</p> <p>The Director took the Board through the presentation noting the following key points of Cloch's performance:-</p> <ul style="list-style-type: none"> <li>• Overheads as a %age of turnover; 10.1%. Cloch well under the median of 12.1%. Shows we are doing really well.</li> <li>• Direct Cost of Housing Management; £298/unit. Median is £312. Cloch around the middle; so again good.</li> <li>• Housing management breakdown. Lettings costs much higher but we are aware of this (eg Wellpark project).</li> </ul>

	<ul style="list-style-type: none"> <li>• Arrears showing our effective debt collection processes are working well.</li> <li>• Responsive Repairs/Voids works are very good too.</li> <li>• Responsive Repairs Performance – had some issues re Novus and MPS terminating contract and bedding in our new contractor.</li> <li>• Major works/Cyclical Maintenance – although slightly higher we are investing in our current stock.</li> <li>• Satisfaction trends – went up in Spring 2020 (could be attributed to the projects we ran; cookbooks, packs for children). Then it reduced but this trend was UK-wide.</li> <li>• Complaints handling. Cloch much higher than the median but we are not concerned/surprised. It's how we manage complaints/any dissatisfaction.</li> <li>• Summary gives a data breakdown: generally low cost, low arrears, high levels of satisfaction.</li> </ul> <p><b><u>Resolution</u></b> The Board noted the reports and presentations.</p>
<b>10.</b>	<b>Policy Reviews</b>
10.1	<p><b><u>Service Charge</u></b> This was dealt with under agenda item 5</p>
10.2	<p><b><u>Serious Complaint or Grievance against Director</u></b></p> <p>The Director advised that this policy needs to be in place should a serious complaint or grievance be made against the Director. It gives guidance on what should be done, by whom, what the regulatory expectation is and what a serious complaint could be.</p> <p>A Board member commented that part of the appendix was not fully legible. The HCS would ensure this is corrected before being put onto the website.</p> <p><b><u>Resolution</u></b> The policy was proposed, seconded and approved on the basis of the appendix being corrected.</p> <p><b><u>Action</u></b> HCS to ensure the appendix is clear.</p>
10.3	<p><b><u>Settlement Agreements</u></b></p> <p>The Director advised that this had arisen following a settlement made to an ex-employee in 2021. This had been approved by the F&amp;CS sub-committee but it had been missed as not being processed as a “Notifiable Event”. The Director intimated that the SHR was satisfied that everything had been concluded in the correct manner with just this slight omission.</p> <p>The new policy would ensure that any future settlements would be reported to SHR. The Director stressed that this settlements were not an alternative to managing staff (eg poor performance) but to avoid the stress for both employee and Board of having to face a Tribunal. It gives the option of having a discussion first to come to a joint, agreeable conclusion rather than the formal Tribunal process, and can also be a far more cost effective solution and reduces risk of litigation.</p>

	<p><b><u>Resolution</u></b> The Board proposed, seconded and approved the policy.</p>
11.	<p><b>Policy Review with Report – Procurement</b></p> <p>The HPS advised that this policy was not due for review until 2023 but had been brought forward due to some changes. References to Brexit and the EU had been replaced with UK legislation. The new threshold values will be updated in Appendix 1 following on from the final budget presentation that the FD had made earlier in the meeting.</p> <p><b><u>Resolution</u></b> The Board proposed, seconded and approved the policy review.</p>
12.	<p><b>Reflection on Meeting</b></p> <p>The Chair enquired if the Board was still happy with the hybrid approach to meetings. The general consensus was one of approval but that more Board members may decide to come into the office for meetings as restrictions ease further.</p>
13.	<p><b>AOCB</b></p>
13.1	<p><b><u>ICHR Allocations Policy</u></b></p> <p>The HHS advised that the policy was not quite ready. They had met with the solicitor and from this some changes had to be made to the policy. As this required full Board approval they were proposing 2 options to deal with it:-</p> <ol style="list-style-type: none"> <li>1. Have a short Board meeting prior to the Housing &amp; Property Services Sub-Committee meeting scheduled for 15 February 2022 (30 minutes); or</li> <li>2. Have a completely separate Board meeting; (30 minutes).</li> </ol> <p>The majority opted for a short Board meeting prior to the H&amp;PS sub-committee. The HHS advised all Board will be invited and those not serving on the H&amp;PS sub-committee could then leave.</p> <p>A Board member intimated that this would take place during the school term break and they would not be able to attend.</p>
13.2	<p><b><u>Board Forms for Signature</u></b></p> <p>The HCS advised that it appeared that Board were having difficulty in e-signing documents that had recently been issued. She advised that an email from the Board member intimating they had read them and would conform would suffice in this instance. The HCS advised that the Association had purchased new signing software that would mitigate this problem.</p>
13.3	<p><b><u>Farewell to the Finance Director</u></b></p> <p>The Chair advised that this had been the FD's final Board meeting before leaving to take up a new post. They advised that the Board was going to miss Alana and the great financial presentations that she did.</p>



	<p>The FD was presented with flowers and a gift from the Board.</p> <p>The FD thanked the Board for their kind words and gifts and will miss them but leaves knowing the Association is in good hands and a strong financial position.</p>
<b>14.</b>	<p><b>Date of Next Meeting</b></p> <p>15<sup>th</sup> February 2022 at 6:00pm – Special Allocations Policy Meeting (30 mins) 15<sup>th</sup> March 2022 – Next normal Board meeting.</p> <p><b>The meeting closed at 7.50pm.</b></p>