

Minutes_Board Meeting_040221.pdf

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Brian Corrigan	One-Time-Password	2021-04-15 11:25 GMT+2



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Board Meeting

Thu 04 February 2021, 18:30 - Thu 04 February 2021, 20:30

Zoom

Attendees

Board members

Brian Corrigan (Chair), Julianne Scarlett (Vice Chair), Eileen Tamburrini (Board Member), Heather Thomson (Board Member), Kelly Ferns (Board Member), Eleanor Robertson (Board Member), Alan Hutchison (Board Member), Ken Robertson (Board Member), David Brown (Board Member), June McIntosh (Board Member), Jackie Smith (Observer), Susan Skelton (Observer), Vivienne Hearon (OTHA Nominee)

In attendance

Paul McVey (Director), Liz Bowden (Corporate Services Manager), Alana Durnin (Finance Director), Paul McColgan (Property Services Manager), Andy Thomson (Housing Services Manager), Shonaid Musgrove (Corporate Services Officer (Minutes)), Brian Praties (OTHA Development Manager)

Meeting minutes

1. Apologies and Declarations of Interest

Information

There were no apologies and no declarations of interest.

Chair

2. Minutes of 1st December 2020


Decision

The Minutes of the meeting held on 1 December 2020 were submitted for approval. There were no amendments required.

Chair

Resolution:

The Minutes were proposed, seconded and approved as a true record.

 02 - Minutes - 01.12.20.pdf

3. Matters Arising & Outstanding Actions

Information

The Director took the meeting through the matters arising and outstanding actions as follows:-

Director

- Variances in cash flow will be explained in full in the development report.
- Query about tenement funding via HAG (Housing Association Grant) - has been investigated. Glasgow has some incidences of refurbishment funding and also utilising AHSP (Affordable Housing Supply Programme) funding for acquisitions too. Any changes to our current local authority investment plan would need to be agreed between the RSLs, Council and Scottish Government, but it would not be used for refurbishment in Inverclyde.
- Update on separation will be later.

Resolution:

The Board noted the contents of the report.

 03.0 Outstanding Actions and Matters Arising.pdf

4. Draft Minutes of SGM of 17th December 2020


Information

The Board had been circulated with a draft of the Minutes from the Special General Meeting held on 17 December 2020.

Chair

Resolution:

The Minutes were noted and would be presented to the Annual General Meeting later in 2021.

 04 - Minutes_Special General Meeting_171220 (1).pdf

5. Draft Minutes of Sub-Committees

Information

Chair

5.1. Housing & Property Services Sub-Committee

Information

The draft Minutes of the meeting held on 24 November 2020 had been circulated for information.

Chair



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Resolution:

The Minutes were noted and would be presented to the February H&PS meeting for approval.

 05.1 - Minutes of Housing and Property Services Sub Committee 241120.pdf

5.2. Finance & Corporate Services Sub-Committee

The draft Minutes of the meeting held on 26 November 2020 had been circulated for information

Resolution:

The Board noted the contents and that they would be presented to the February F&CS meeting for approval.

 05.2 - Minutes F&CS 26.11.20.pdf

Information

Chair

6. Kings Glen Report

The Development Manager took the meeting through his report highlighting the main areas as follows:-

- Costs increased to £8.9m.
- Variances agreed by Cloch stand at £172k.
- 2 week extension agreed - completion date now 7 May 2021.
- Contractor's Covid claim.

Discussion took place regarding contractor's Covid claim for an additional £93k. Cloch's solicitors are continuing to review this.

A Board member stated that he heard of a company that felt they were in a good position to make a claim for project overrun with force majeure. The Development Manager advised that the contractor already had an extension to the contract but the claim for costs was not relating to the extension. A second Board member stated that projects he is involved with have also had slight extensions to them but no claims for increases. The Development Manager advised that the contractor is making the claim in line with guidance that had been issued by the Scottish Government. He advised that the current lockdown has not stopped contractor going back on-site and they were back quickly after the first lockdown too.

Regarding the spike in the cashflow the Development Manager informed the Board that the Employer's Agent advised this was factored into costs in June-September due to the volume of work in this period and the supplies that had to be brought onto the site (eg kit supplies and bricks). The costs had drifted from when no-one was on site at first lockdown. Actual spend will be smoothed out by the end of the contract.

A brief discussion took place in respect of the level access shower changes when a Board member enquired if this had been done as a Stage 2 Adaptation. The cost for this was around £2k and had been submitted as a variance. The Development Manager will look into whether adaptation funding is available for these incidences.

The Development Manager left at this point 6.50pm.


Resolution:

The Board noted the contents of the report.

Action:

The Development Manager to pursue adaptation funding for the shower installs.

 06 - Kings Glen Update.pdf

 06.1 - Monthly Expenditure Appendix 1.pdf

**Information And
Discussion**

Development Manager, OTHA



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7. Director's Report

The Director took the meeting through his report noting the key points as follows:-

- Business Continuity Plan - this has been updated, although main change refers to our current emergency repairs scenario. Our programme has stalled regarding component replacement and non urgent repairs until it is safe to get back into properties. This also includes electrical testing and heat meters too. Still a lot of work going on such as voids, inspections and estate management.
- Staffing - all working from home except when required to go to offices to pick up keys, etc.
- Organisational change: lender consent (RBS) - the Finance Manager has done great work on this and consent should be secured by end of February in line with 1 April 2021 date of separation.
- Separation - staffing situation. The TUPE of 3 staff and new joint working service agreements is outstanding but being worked on. A presentation to the Board will be submitted later highlighting the work of the shared services.
- Governance - Rules require us to have an Oak Tree Housing Association nominee until separation complete. Two Observers should then be able to take up full Board membership. Will give us a full complement of 12.
- Governance Review for Board. Consultant Arneil Johnston won the tender and starting next week. They will conduct a workshop with Board and Leadership Team. This is an excellent time to carry out a root and branch review of governance and compliance, particularly with a number of new Board Members.
- Governance Action Group (GAP) will meet in February to consider our self assessment progress of the regulatory standards and progress with our action plans. A report will follow to the Board.
- Business Plan. This will be brought to Board next month. It will consist of the core document and refer to associated strategies and plans in place to support our drive to meet our business objectives.
- Employee issues - couple of staff on "flexi-furlough" re primary school age childcare issues.
- Wider Action - received £10.5k from Cycle Scotland to provide bike sheds. Hoping to get maintenance contractor to assist with this utilising their community benefit commitment. Energy Activators now in place. Looking at a Community Pantry project too.
- Donations. This year £2k in donations made to local charities; grateful responses received from them.

A Board member enquired about the furnished accommodation leases and what would be the legal responsibilities for replacement of broken items. The Housing Services Manager replied that models for this are in place and would be covered by the service charges (from housing benefit/universal credit or support agencies) and the project should pay for itself in the long run.

Further discussion took place about some tenants not being able to sustain their tenancy due to issues like poverty and not having the finances to furnish it. The Association needs to compete with the private housing sector in order to provide vulnerable people with an alternative to private leases. Offering some furnished units will hopefully reduce our void levels of unsustainable tenancies and help those that can then build up some savings and move to unfurnished accommodation, if that is their aspiration. However, it is acknowledged that some tenancies will still fail. Discussions about what support packages would be available included the Association's existing partnership with the Simon Community and signposting tenants to other agencies as and when necessary. The Director advised that the properties would be open to all across the board (eg homeless unit, women's aid, referrals and those leaving the parental home).

The Board understood that this would involve a lot of work and the plans for the project are ambitious but agreed that it was a worthwhile project to proceed with and the right thing to do.

Resolution:

The Board noted the contents of the Director's report.

-  07 - Directors Report.pdf
-  07.1 - Directors Report Appendix 1 - Internal Audit Report.pdf
-  07.2 - Directors Report Appendix 2 - Wider Action.pdf
-  07.3 - Directors Report - Appendix 3 Donation Thanks.pdf
-  07.4 - Directors Report Appendix 4 Hospice.pdf
-  07.5 - Directors Report Appendix 5 Womens Aid.pdf
-  07.6 - Directors Report Appendix 6 Foodbank.pdf



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8. Rent Increase Consultation and Recommendation

The Director advised that the Finance Director (FD) and Housing Services Manager (HSM) would be making a joint presentation on this and it would run in tandem with the next agenda item (no 9). Any approval given would be recorded at the end of item 9.

The HSM advised that the Association consults with its tenants on the rent increase on an annual basis. It provides options for the tenants to comment on which is then reported to the Board who take the final decision on the rent increase. This year the decision is not straightforward with respect to the Covid pandemic plus the Association is in the middle of a rent restructuring process. Calculations give a breakdown of what this would mean for tenants, a comparison to other rents in the area and benchmarked with the Glasgow & West of Scotland Forum (GWSF). The current 30-year cashflow incorporates a minimum of a 1.9% rental increase for 2021/22 to make it viable. (The HSM pointed out a typing error on Section 5 of the report - it should read 2021/22).

The responses received to the rent consultation were significantly the highest ever recorded. The reasons for this could be twofold - (1) survey could be completed online which many feel is easier to do and (2) felt strong enough about replying in light of the Covid pandemic and the poverty that this has caused. Even with this increased response there was still an overall majority that agreed to the 1.9% rental increase (52%). Many comments that were received followed a similar pattern - questioning the timing of a rental increase in the present climate. These responses made the Leadership Team rethink about how the increase could be managed. This resulted in a stress testing exercise being undertaken that the FD will speak to next. The HSM manager advised that a proposal to continue with the 1.9% increase is being suggested but that this would be deferred to 1 October 2021 as opposed to being implemented on 1 April 2021; this although unusual is allowed for within the tenancy agreement. The stress test exercise has demonstrated that the impact on our budget could be managed this year but importantly there would no impact on our long term forecasting. In addition, the rent restructure would be applied as agreed at December's meeting with a maximum uplift of £10 prior to the annual increase being applied. There would still be a number of tenants whose rents would be frozen in the coming year.

The Board discussed this and a member advised that the prediction for unemployment is that it could increase and in 6 months time things and could actually be worse for a lot of people. The HSM acknowledged this but stated that Universal Credit and Housing Benefit would then apply; especially when the existing furlough scheme is due to cease on 31 March 2021. He also stated that the housing staff would be on hand to help all our tenants that find themselves needing to apply for benefits. Some Board members expressed concern if we delay the increase to October and then the April 2022 increase is due just 6 months later, would this be too much? The HSM advised that the Association has the ability to increase rents more than once in every year but hopes that this delay will give tenants time to prepare/save for them and it would be appropriate to highlight the next years' increase in any communication issued. Another Board member wondered if a staged approach might be better. For example, a 0.7% increase in April and the balance payable from October.

The Director advised that an article will be prepared for the forthcoming newsletter with some responses and explanations for some of the issues that were raised during the consultation process. The FD added that an explanation on how it impacts the 30-year cashflow will be included.

The Board commented that a deferment for 3 months could also be an option which would give a 9-month gap before the April 2022 increase.

Resolution:

It was agreed to proceed to the Budget for 2021/22 and the Stress Test analysis.

-  08.1 Appendix 1 - Tenant Consultation Survey Summary Report.pdf
-  08.2 Appendix 2 - Average Rents.pdf
-  08.3 Appendix 3 - GWSF rent increase survey for 2021.pdf
-  08.4 Appendix 4 - Local RSLs 21 22 Rent Increase Comparisons.pdf
-  08 - Rent Increase Report 2021 2022 25012021 draft_1st.pdf

9. Budget 2021/22



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9.1. Budget 2021/2022

The Finance Director (FD) informed the Board that there had been changes made to the final draft budget from the first draft, however the report has been presented in a similar format to confirm all the assumptions used within the Financial Plan, with the changes made also noted in the report. It was noted the report will also be issued to the Banks in compliance with our loan agreements.

The Board were taken through the main points by way of a presentation, which focused on the key changes made to the final 2021/22 budget / financial plan and the impact on the projected Financial Statement over the next 5 years / 30 year cashflow projections, with the following noted:-

- Turnover is £9.1m; with £7.2m of that from net rent and service charges (this being the key amount of rental income forecast, taking account of void loss).
- Expenditure is £8.1m plus £2m on planned maintenance.
- Net surplus is projected at £977k
- Cash held projected to be £3.6m at end of March 2022.
- Net worth at end of March 2022 expected to be £16.6m.
- Breakdown of expenditure by spend category as a percentage of total expenditure included depreciation of housing stock, management costs, capitalised components routine maintenance (reactive), cyclical (eg painting), net interest, other costs, service costs, bad debts. The chart effectively showed what all our money goes on.

The FD then took the Board through what the impact of the changes were from the first draft to the final budget. The main point to note is that more cash is forecast to be held by March 2022 compared to the first draft, (+£112k), with this relating to timing of expenditure, however the effect on the overall surplus shows that it will fall by £113k to £977k. Net worth will also fall by the same amount and is projected as £16.56m by March 2022.

The key changes to the budget were noted as:-

- (1) deferring the rent increase to October 2021 would result in £61k less income.
- (2) offsetting the above, the acquisition of 6 properties in 2021/22 would increase rent by an additional £19k.
- (3) delays to the Kings Glen development will result in loss of rental income of £4k.
- (4) increase to the service charge income of £4k.
- (5) estate costs increasing by £50k.
- (6) capitalised costs up by £148k
- (7) overheads up by £10k.

The FD took the Board through the next 5-year cashflow forecast and explained that the bottom line values in the table showed the cash buffer zone that the Association does not want to go below, e.g. the equivalent of holding 3 months of net rental income as a minimum cashflow held indicator. However, the figures showed cash exceeded this and averaged at £3.1m per annum over the next 5 years and this is a good level of cash reserves for an Association our size.

The Board was then taken through the 5-year Statement of Comprehensive income and advised that it was extremely important that the Association meets all its bank covenants. It was noted that next year we will be close to the 1.1 minimum interest cover covenant with headroom of £15k of additional expenditure available. However, an agreement had been made with RBS to amend the calculation for this in 2021/22 due to the impact of the Covid pandemic and the detrimental effect it has had on our programme of works this year, with some projects having to go on hold due to the Government restrictions. The agreed adjustment with RBS increased the additional expenditure headroom from £15k to £323k above the budget forecasts.


With regards to the 5-year Statement of Financial Position we are seeing good, steady growth and we also have the financial ability to raise more funding if needed due to the low gearing percentage versus the Banks' maximum of 50%. The 30-year cashflow is showing good steady cashflow levels for 10 years at £3.1M on average with the lowest point of cash in Year 12 sitting at £1.8m and another dip in Year 22 due to a high spend projected for planned maintenance. However, cash increases again from year 24 as our loans are paid off, with cash of £21.6M projected after 30 years.

It was noted that bank covenants will continue to be monitored and tested, with 3 breaches noted in the 30 year plan in years 2030/31, 2039/40 and 2041/42, however these could be managed by smoothing planned maintenance.

The FD summarised the main changes to the final budget were the deferment of rent increase, £1m acquisition strategy and the updated planned & cyclical maintenance programmes.

As there were no questions on the final budget for 2021/22 the FD moved onto the Stress Test analysis.

 09.1 - Final Budget & Financial Plan 2021-22 - 28-1-21.pdf

 09.1.1 - Final Budget 2021-22 & FP Appendices -28-1-2021.pdf



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9.2. Stress Risk Test Report

The Board was advised that the purpose of the stress testing exercise is to show how the cashflow is affected when changes to the key assumptions are made. The stress testing scenarios had been chosen based on illustrating the impact of a rent freeze versus the deferment in rent being proposed and also scenarios modelled against our current risk register - these included the potential impact of welfare reform / Covid-19 on tenants finances, increased void times/void loss, increased cost to the Kings Glen development and the impact of various inflation percentages, e.g. higher and lower inflation.

The FD took the Board through the graphs showing the 30 year cashflow impact for each scenario against the final draft budget / 30 year financial plan and also the equivalent of holding 3 months net rent in cash terms. It was evident that a rent freeze would have a knock-on effect to all other years and bring real risk to the plan due to the compounding effect. This highlighted the proposal to defer the rent increase was a good / lower risk option, which also takes account of tenants' feedback from the consultation process.

The FD advised that it is important to continue to focus on stress testing and continue to review the impact of inflation for our 30-year financial plan.

The FD informed the Board that two decisions were required to be made:-

1. defer rent increase
2. Approve the final 2021/22 budget & 30 year financial plan

The Director asked the Board if they would like to take account of the previous discussions in item 8 and consider whether a deferment is something they wanted to agree on - and if so, the length of deferment. Or alternatively, make a different decision on the rent increase. Discussion followed that the 6-month deferment figures showed that it was manageable despite a loss of income in the first 6 months. The Director acknowledged this and advised that this will need to be communicated properly and this will include the outcome of the tenant consultation process e.g. "you said, we did". The HSM advised that individual letters will be sent to all tenants as well as the newsletter being proposed. He also advised that Housing Benefit have already been informed that a delayed rent increase may be made and that we will confirm this with them before the end of their financial year; so this was not an issue.

The HSM advised that all tenants who replied to the rent consultation document are entered into a free draw within survey monkey and asked for a Board member to call out a number. Number 241 was selected. The HSM advised that the tenant will be notified in due course.

Resolution:

- The rent increase of 1.9% (including the application of the rent restructure) on a deferment until 1 October 2021 was proposed, seconded and approved.
- The changes to the budget for 2021/22 was proposed, seconded and approved.

 09.2 - Stress Test 2021-22 Budget & 30 Year Plan.pdf

10. Quarter 3 Performance & Risk

The Chair noted that there was still a few items to get through and asked the meeting if they were happy to suspend Standing Orders and continue. Agreement was given.

The Board's attention was drawn to the dashboards in App 1. The Director advised that the timing for relets was reducing and that void loss was as a result reducing. The rent arrears is higher than anticipated but it is still the lowest in Inverclyde. The repairs performance was improving and a lot of work is being done with the new contractor to get the interface working to both parties satisfaction. He advised that gas servicing has been caught up on and that finances were looking good with regards to factoring income and loan covenants. Short term absence statistics are good but we have a couple of long-term absences.

The Director congratulated the Board on their excellent attendance at meetings. This shows a robustness in governance and also demonstrates accountability to the Scottish Housing Regulator (SHR). Complaints look high but it is how we record them; every statement of dissatisfaction is logged. The new phone system introduced in July 2020 gives in-depth statistics on our calls and all are being answered within our 10 second target. We can also see that over 7,000 calls are over 3 minutes long.

With regards to the risk mapping exercise (App 2) there are no significant changes expected in levels of risk. Our external auditors have reviewed our approach to risk and provided comments which will help in reviewing our policy. It is also hoped that they will have a workshop or training session for the Board on this shortly. Appendix 3 is our annual summary from Housemark; an organisation that we are affiliated to. This gives us a benchmark of how we are performing against similar organisations.

The Board commented on the positive results.





Resolution:

The Board noted the contents of the report.



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-  10 - Quarterly Performance Report - Q3.pdf
-  10.2 - Quarterly Performance - Appendix 2 Risk Map.pdf
-  10.3 - Annual Performance Summary 2020 - Cloch Housing Association.pdf
-  10.1 - Quarterly Performance Report Appendix 1 - Dashboards.pdf

11. Governance Training & Development 2021

Information
Corporate Services Manager



The Corporate Services Manager (CSM) took the Board through the report. She advised that a Training and Development Plan needed to take cognisance of existing and newer members and the different skillsets. Some training will be short "bitesize" sessions whilst others will be longer. She stated that the FD is keen to do training on Treasury Management and finance terminology. Health & Safety training will be compulsory for all Board. It is a requirement that we carry this out every 3 years.

The Board was advised that some of the training could possibly be carried out online but that the programme should be informative and exciting.

The CSM asked if the Board wanted to see any additional training included that had not been identified to get in touch with her. She will be in touch with everyone later on once dates have been confirmed to get them into diaries.

Resolution:

The Board noted the contents of the report.

-  11 - Governance Training & Development Report.pdf
-  11.1 - Training and Development Plan 2021.pdf

12. Removals from Membership

Information
Corporate Services Manager

The CSM advised that this report is a standard item that is brought to the Board's attention following the Annual General Meeting (AGM). It notes the number of members that have been removed since the previous AGM.

Resolution:

The Board noted the contents of the report.

-  12 - Removals from membership.pdf

13. A.O.C.B

The Director advised that there was one item to be discussed under AOCB which was the proposal from Employers in Voluntary Housing (EVH) and the union (Unite) on a 2-year wage deal.

13.1. Discussion - EVH 2-year Wage Deal

Decision
Director

The Director advised that EVH had previously been advised of the comments from the Association on the proposal. It was then up to EVH and the union to negotiate on this and advise accordingly.

The Director had emailed the Board the day before with the proposal and asked for them to discuss this at tonight's meeting. He advised that only full members of EVH (which the Association is) will be able to vote on this proposal.

The proposal is for a 2-year wage deal with an increase in salary in April 2021 of 0.8%. Then a wage increase in April 2022 using the October Consumer Price Inflation (CPI) figure + 1%; with a ceiling of 2.5%.

The Director stated that the staff members could leave the online meeting if the Board wished to discuss this item in private. The Board felt that this was not necessary as the employers agent and union had already negotiated to this point. A Board member pointed out that staff could be the only provider for their household if they have been affected by Covid (eg furlough or redundancy) and that this was a fair increase.

The Director advised that he will report the acceptance of the 2-year wage deal to EVH.

Resolution:

The 2-year wage deal was proposed, seconded and approved.

13.1.1. Inverclyde Common Housing Register

Information
N/A

A Board member enquired as to the lack of photographs for properties that were being advertised. The HSM replied that unfortunately due to Covid staff could not enter properties at the point of pre-termination to get pictures and could only upload (1) external photographs or (2) use historical ones.

Resolution:

This was noted.



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14. Date of Next Meeting

The date for the next Board meeting was 9 March 2021.

There being no other business the meeting closed at 8.35pm.



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Brian Corrigan
Chair

Date



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