

## Cloch Housing Association

### Board Meeting

**held on Tuesday 21 January 2020 at 6.15 pm  
at Cloch's Offices, 19 Bogle Street, Greenock**

**Present:** Julianne Scarlett, Chair  
 Brian Corrigan, Vice Chair  
 Eleanor Robertson  
 Eileen Tamburrini  
 Karen Wilson  
 Kelly Ferns  
 Ronny Lee, OTHA Nominee

**Attending:** Paul McVey, Director  
 Alana Durnin, Finance Director  
 Paul McColgan, Property Services Manager  
 Andy Thomson, Housing Services Manager  
 Liz Bowden, Corporate Services Manager  
 Brian Praties, OTHA Development & Technical Services Manager  
 Shonaid Musgrove, Corporate Services Officer (Minute Taker)

Item	Description
1.	<p><b>Apologies &amp; Declarations of Interest</b></p> <p>Apologies were received from Alison Greenhill, Heather Thomson &amp; Jackie McKelvie. There were no declarations of interest.</p>
2.	<p><b>Minutes of Meeting held on 19 November 2019</b></p> <p>The minutes were reviewed for accuracy.</p> <p><b>Resolution</b></p> <p>The Minutes were proposed, seconded and approved by the board.</p>

<p><b>3.</b></p>	<p><b>Matters Arising/Outstanding Actions</b></p> <ul style="list-style-type: none"> <li>• Sod cutting still to be organised.</li> <li>• Pensions. This is still ongoing despite deciding in November 2019. The Director and Finance Director have met to discuss and are awaiting an update from The Pensions Trust (TPT). The Board had previously agreed on the split between employer/employee, however, it has come to light that TPT has made an error. Cloch has been classified as a “closed” employer and not an “open” employer which it should have been. Consultation is in progress with the Pensions Trust to ascertain what this means for us. This could have a detrimental effect on our budgets and we may need to consult staff again. Previously TPT would advise what the employer/employee split should be but now they are leaving this decision up to individual organisations. It was noted that OTHA has appointed an external agent to facilitate a consultation with the staff regarding pensions and they could end up doing something different from Cloch.</li> </ul> <p><b>Resolution</b></p> <p>The Director/Finance Director will prepare a report and it was unanimously agreed to hold a Special Board meeting in February to look at this alongside the Options Appraisal.</p>
<p><b>4.</b></p> <p>4.1</p> <p>4.2</p>	<p><b>Draft Minutes of Sub-Committees</b></p> <p><u>Housing &amp; Property Services Sub-Committee</u></p> <p>The attendance and composition of this Sub to be checked and corrected in the minute. Under section 2 Eileen’s name to be removed. The minutes were noted and the amendment would be made before them being put up for approval at the next sub-committee meeting.</p> <p><u>Finance &amp; Corporate Services Sub-Committee</u></p> <p>The date of the next meeting is incorrect (25/02/20). It should be on 3 March 2020. The minutes were noted.</p>
<p><b>5.</b></p>	<p><b>Kings Glen Update</b></p> <p>OTHA’s Development &amp; Technical Services Manager advised that the project is now progressing. The contractor is on-site “at risk” as we have not got the Stage 1 Warrant however, the architect has advised that the issuing of this is imminent. It has been made clear to the contractor that we shall not be releasing any grant monies until the Warrant is in situ. The contractor will only be carrying out the basic works until the Warrant is in place, however, we don’t want works ceasing before this happens. We can pay the contractor from reserves if we have to. The Finance Director advised that the loan funding is secured and ready for drawdown. A query was made as to why the showers are now costing an additional £12k. They were advised that this cost incorporates the LD2 compliance and is not solely for the showers.</p>

The Director advised that we had been liaising with schools, etc for new street names for the project and these were presented to Inverclyde Council for consideration. On consideration at a Council meeting, the council have decided that the names shall be:-

- Kings Glen Place
- Godman Place (after Dr. Norman & Trish Godman, local MP/MSP's)
- Woodhead Road (after former quarry in the area).

### **Resolution**

The Board noted the report and thanked OTHA's Development & Technical Services Manager for his attendance. He left the meeting at 6.35 pm.

## **6. Director's Report**

The Director stated that the executive summary of the report outlines the risks, etc.

- Options Appraisal. The next meeting is taking place on Saturday 1 February 2020 in the Tontine Hotel. It will start at 9.45 am and end around 3 pm. The Chairs and Director/Chief Executive of both organisations met with the facilitator to discuss the criteria for more focussed discussions. The facilitator shall prepare the order for the day and the Director hopes to have this out to the Board by the end of the week; this will give an idea of what the options will look like. It was also agreed that the meeting will only consist of the two Boards/Management Committee members and the Director/Chief Executive. It was felt that having both senior teams could be off-putting for the Board members. Although there are 3 or 4 options left, the governing bodies will receive reports focussing on 2 of these - (1) Transfer of Engagements or (2) Separation. If the second option is selected then discussions would be required regarding the issue of shared services once the decision is made. The option of improving the partnership is something more familiar to Boards albeit would also need to be scoped if that was emerging as a favoured option. For a Transfer of Engagements there will need to be an extremely robust business case and the SHR would likely want input into this arrangement. They may be less likely to want involvement in a separation scenario although ballots of tenants and/or members may still be required.
- Leadership Away Day. This was a very productive day and actions were outlined that are still to be taken before the year-end. In addition, the team looked ahead beyond April 2020 and agreed on several items including the "softer" elements, for example, this year Cloch will hold a Gala Day, issue the staff satisfaction survey and hold the staff away day.
- Business Strategy Day. We must get a date organised for our Business Planning Day; this has been on hold pending the outcome of Options Appraisal. Saturday 14 March was suggested. The Board agreed that this item was overdue and needs to be addressed sooner rather than later. It was suggested that an external facilitator was used for this event. After discussion, it was agreed that consultant Alison Smith should be approached to ascertain if she would be willing to facilitate the Business Strategy Day and the 14<sup>th</sup> March was agreed.
- MPS. An issue with outstanding invoices is being resolved.

- Kings Glen rents. There is a need to reduce our new build rents as some are over 5% above the Scottish Government benchmark. They can be realigned after to follow our new rental structure. There was discussion around this as there was also a recognition that our new Rent Policy following restructure is based on affordable rents taking account of the various affordability models. It is unfortunate that the Scottish Government take such a rigid view using a benchmark that isn't easily understood.
- Staff fundraising. Staff fundraise all year round and the monies raised at Christmas to purchase cinema tickets and Funworld tickets for families in poverty/low incomes were well received by our chosen charity Barnardos. This was instead of the traditional "Secret Santa". Also, money was raised for the Ardgowan Hospice.

### Resolution

The Board noted the contents of the Directors report and that Alison Smith, consultant, should be approached to facilitate the Business Strategy Day which has been agreed on 14<sup>th</sup> March 2020.

## 7. Final Budget 2020/2021

7.1 The Finance Director advised the Board that the presentation will focus on the key changes to the previous draft budgets. The Finance Director took the Board through the main points of the Final Budget for 2020/2021. These were as follows: -

- Turnover stood at £8.6m.
- Surplus and net worth down but, in reality, little change from the first draft budget.
- Changes from the 1<sup>st</sup> draft budget to the final budget were noted and explained.
  - Rental income increased by £13k; due to properties being relet.
  - Reduction in rent for Kings Glen (have to meet the Scottish Government's benchmark rents).
  - Annual salary costs down by £13k but pension costs increased (revised 50/50 split and issues with the open/closed employer status).
  - Cyclical costs for painter work increased by £27k following tender outcome but non-component costs reduced by £32k for provision of 50 new doors (brought forward).
  - Overhead costs increased for the options appraisal; how we take this forward.
  - Budget changes; impact on future rents – what do we need in future years. Inflation only for the next 4 years.
- 5-yr cashflow projections good; an average of £3.15m over the next 5 years.
- 5-yr Statement of Comprehensive Income. The surplus is down in the first 2 years; mainly due to smoke detector replacement. Interest cover for covenants good; comfortable position to be in. Overall a nice, steady growth in net worth.
- 5-yr Statement of Financial Position. Gearing never near the 50% upper limit; averaging from 10-13% but a slight increase to 15% in Year 2.
- 30-yr Cashflow Forecast depicts good, steady values from Year 1-13. From Year 14 cash increases then drops in Year 23 when costs incurred for high spend in planned

maintenance. Loans paid off in Year 24 and thereafter cash increases again but at a faster rate.

- Covenants. Any potential breaches covered; eg delay some planned maintenance works to ensure covenants not breached.
- Rent rationalisation has put more money into the rent pot and this has enabled lower future rent increases.
- Forecast demonstrates long-term financial well being.

### **Resolution**

The Board approved the Final Budget for onward submission to our banks and lenders.

7.2

### **Stress Test**

The Finance Director advised the Board that this testing was to ascertain how the Cashflow would react to things happening such as: -

- Increase in void times;
- Increase to Kings Glen costs;
- Inflation increases;
- Impact of Brexit;
- Pension deficit/pay off.

The stress testing demonstrated that if all of the above happened at one time the Association could still cope. For example, an increase in Kings Glen costs would be offset by getting more money from our banks ie. extra loan funding. Our loans are fixed and therefore inflation/interest rates fluctuations do not affect our loans. However, higher inflation rates are better for our cash balances; a reduction in rates will have a detrimental effect on our balances.

The Finance Director advised that the Association uses RPI rates as this is the sector marker as it reflects housing costs. CPI rates are used by some Associations as these link to benefit increases. The stress test on lower rates demonstrated that the Association could manage with only pressure showing for a couple of years. Looking at Years 12/13 shows the pinch point for the Association the question was asked about sorting this out earlier. The Finance Director replied that the stress testing was based on a tested model and assumptions may change, e.g. life cycles may last longer or not. Therefore, this was about making sure that we have enough time to put matters into place and looking at the first 5 years was satisfactory. For example, the Association did not know that we would get a good deal on the smoke detector tender or that we'd get funding to help with the project. The plan is reviewed at multiple points within the year, e.g. annual budget, post-year-end budget, mid-year budget– things like our stock condition survey and tendered costs have significant bearings on our long term budgetary planning and as soon as changes are known they are updated in the financial plan.

### **Resolution**

The Board noted the contents of the Stress Testing Report and agreed this is a useful tool when considering our overall business and financial processes.

<p><b>8.</b></p>	<p><b>Rent Increase &amp; Outcome of Consultation</b></p> <p>The Housing Services Manager took the Board through his report. He advised that the rent increase is linked to the budget proposals detailed in the Finance Director's report. He reiterated that the Board had decided to only consult with tenants on one option due to the complexities of the current rent restructure. The rent increase does throw up some policy and financial implications.</p> <p>He advised that the Association is required, by law, to go out to consultation with tenants and Registered Tenant Organisations. As part of the consultation, Cloch looked at comparability; what is happening with other housing associations and what is the mid-range. The Association held various consultation events for our tenants to attend.</p> <p>Historically, the Association has had higher rents than others in our peer group, but this is mainly due to the product Cloch offers (stock mostly new build and cottage style dwellings) plus Cloch has supported accommodation that attracts a higher level of service charges. However, the rents should even out following the rent restructure process and it is hoped that the tenement properties will be more in line with other associations.</p> <p>The Association decided to consult via a newsletter with a questionnaire (as per the preferred method from the tenants). This provided a full breakdown of what the Association was proposing; namely a 2.8% increase. The response was almost double that of previous years with 181 responses made; this equates to a 12.9% return rate. An incentive was offered that all returned responses would be put into a draw for the chance to win a £50 shopping voucher. Of the returned responses a majority of tenants accept and agree with the rent increase.</p> <p>A Board member commented on the rental increase newsletter and felt that it was a good, informative one that was easy to follow.</p> <p>Following extended discussion around the rent increase and the implications to tenants of any increase, the Board supported the increase because 54.9% of respondents to the survey supported the increase and the Leadership Team recommendations.</p> <p><b>Resolution</b></p> <p>The Board approved the rent increase of 2.8% and approved the rent setting policy.</p> <p><b>Action</b></p> <p>The Board selected number 102 at random to be the winner of the £50 shopping voucher. The housing section will action this and contact the winning tenant.</p>
<p><b>9.</b></p>	<p><b>Report on Action Plans</b></p> <p>The Director advised the Board that this was a summary of the various Action Plans that the Association has in place; except for the Governance one which was previously discussed as this is being worked on separately and will be reported on separately.</p>

	<p>The Board felt that this was a large number of Action Plans to work their way through in one go and wondered if a simpler solution was available, such as individual members reviewing a plan when they are put to the Board, therefore taking the burden away of every Board member having to read every plan. This can be considered going forward. The Director advised that the covering report was a summary of the Plans, so Board did not need to go through each one in minute detail. Another member suggested that one of the Action Plans had a “traffic light” system in place to give a quick, visual view of how the plan was performing. It was noted that some of the plans have different authors so the styles vary. It was agreed that going forward the Action Plans should be consistent and uniform.</p> <p><b>Resolution</b></p> <p>The Board noted the contents of the report.</p>
<p><b>10.</b></p>	<p><b>Tender Report – LD2 Compliance/Electrical Testing</b></p> <p>The Property Services Manager apologised that this report was being tabled but unfortunately the consultant could not get all the information to staff until today. He stated that the appendix to the report is the tender report from ADA Construction Consultants Ltd; the consultants who carried out the tender on Cloch’s behalf.</p> <p>He advised the Board that the requirement to have this done has come following the tragedy of Grenfell Towers in London. The Scottish Government introduced a new fire safety standard that Cloch needs to ensure our stock is compliant with regards to fire detection within our homes. It is anticipated that this will cost approximately £700,000. Each property will have one hard-wired smoke detector and the remaining detectors will be battery ones with a 10-yr lithium battery. The system will link all the detectors together.</p> <p>The Board was advised that this has been a hybrid tender. Initially, it was solely for the installation of the smoke detectors but was retracted and amended to also include carrying out electrical periodic testing. This was following the original contractor previously going into administration partway through the contract. A total of 39 notes of interest were received with 13 final submissions made. The successful tenderer was GD Chalmers and this was within budget.</p> <p>The deadline for meeting the new standard is February 2021.</p> <p>As per a previous Finance report, the Board was told that £700k had been budgeted for the smoke detector works. The budget for the electrical testing is £79,000 with a contingency of £25k (to cover any minor electrical repairs that may arise).</p> <p><b>Resolution</b></p> <p>The Board approved the tender submission and awarded the contract to GD Chalmers.</p>
<p><b>11.</b></p> <p>11.1</p>	<p><b>Policies</b></p> <p><u>Donations &amp; Sponsorship</u></p>

11.2	<p>The Board was advised that the policy was up for review and there was only one change for discussion. The Corporate Services Manager (CSM) advised that the current allowance was £1k per annum and asked for approval to increase this to £1.5k. The CSM stated that the full allowance may not be used in each year but it was to allow discretion to the Director to donate extra funds to any charity/body that met our criteria in the policy. The CSM advised that the Association has improved how it promotes this fund and this matched with being in a stronger financial position could allow the Association to do more in our local communities.</p> <p><b>Resolution</b></p> <p>The Board approved the policy review and to increase the allowance to £1.5k</p> <p><u>Dignity at Work</u></p> <p>The CSM stated that this policy had, in previous forms, been the Bullying &amp; Harassment Policy. The policy followed the model as set out by EVH and the main change was reverting to a Cloch only policy and not a joint one with OTHA. This decision to remove joint policies was taken a couple of years previously.</p> <p><b>Resolution</b></p> <p>The Board approved the Dignity at Work Policy.</p>
12.	<p><b>Health &amp; Safety Report</b></p> <p>The Director advised that, as part of our membership with EVH, there is the opportunity to subscribe to their Landlords Safety Manual (LSM). This forms a similar basis to the existing H&amp;S Manual for staff/office that Associations get as part of their EVH membership. The cost of the LSM is £675 + VAT. The Director advised that this is good value for money as it ensures that the Association is following all the legislation, guidance and good practices for things such as legionella, asbestos, electrical/gas safety, etc. There is a Policy Statement requires to be signed off on an annual basis and it is important how we establish what the governance for it will be. For example, do we set up another sub-committee or combined it into our existing structure.</p> <p><b>Resolution</b></p> <p>The Board approved the Health &amp; Safety Policy Statement for Landlords Facilities H&amp;S.</p> <p><b>Action</b></p> <p>The Board agreed that Health &amp; Safety shall be a standard agenda item on the Board, Housing/Property and Finance/General Purposes committees and be delegated to the relevant committee to deal with as matters arise.</p>
13. 13.1	<p><b>AOCB</b></p> <p><u>Removals from Membership</u></p>

<p>13.2</p>	<p>The Board noted the removals from membership as per the rules of the Association.</p> <p><b>Resolution</b></p> <p>The Board noted the report.</p> <p><u>Application for Membership</u></p> <p>The Board discussed the application and how the Association can increase its membership list. The CSM advised that they will be actively looking at the membership levels very shortly.</p> <p><b>Resolution</b></p> <p>The Board approved the application.</p>
<p>13.3</p>	<p><u>Governing Body Leadership Programme</u></p> <p>The Board was advised of a leadership programme commencing in May. This would consist of 6 sessions; three being held in May and three in June and would be evening meetings. The course will only run if there is sufficient interest in it to make it viable. One member expressed interest and the Director will email the details to them.</p> <p><b>Resolution</b></p> <p>The Board noted this and to advise the Director if they are interested.</p>
<p>14.</p>	<p><b>Date of next meeting</b></p> <p>The next scheduled meeting is 10 March 2020. The Director asked if Tuesday 18 February 2020 was suitable for the Special Meeting to discuss Pensions and the Options Appraisal and this was agreed. If the new Admin Control Portal is ready for then it will include a 20 – 30-minute training session on this. The Board shall be reminded about this date separately.</p> <p>The meeting closed at 8.05 pm.</p>