

CLOCH HOUSING ASSOCIATION

Minutes of the Board Meeting
Held on Tuesday 28 May 2024 at 6pm
via MS Teams/in the office
(Bitesize training took place at 5.45pm-6.00pm)

Present: Kelly Ferns (Chair), Ken Robertson (Vice Chair), David Brown
(via Teams) David McIndoe, Eleanor Robertson, Jackie Smith,
Hristina Tarpanova, Nicola McLachlan,
Laura Quinn (co-optee)

Attending: Alana Durnin (CEO)
(via Teams) Michael Monaghan (DCSC)
Shonaid Musgrove (CSO, Minute Taker)
Lorna Shaw (Research Resource)
Julie-Ann Clocherty (SHARE)
Karen Aitken (Observing)

Attending: Paul McColgan (DPSA)
(via the office) David Quinn (QPIO)

0. Bitesize Training on Covenants took place prior to the meeting. Representatives from [REDACTED] provided the training; [REDACTED] The training was to cover 3 areas:-

1. What are financial covenants?
2. Why are they important?
3. Risks associated with them.

These were summarised as:

- It's an early warning level for lenders.
- Keeps business plan on-track.
- Allows the lender and borrower to get round the table to adjust performance before a breach happens.

[REDACTED] advised that a breach of covenant is covered under the terms of a loan agreement. If this occurs the lender could demand that the loan is repayable in full immediately. The Scottish Housing Regulator (SHR) would likely intervene if a breach occurred. Worst case scenario is the company goes into liquidation and a potential transfer of engagement would follow. A more serious matter would be if governance failings is discovered too.

Cloch has a range of covenants in place with different lenders. Cloch's covenant suite just now in relation to Mortgage Redemption Insurance (MRI).

- ✓ [REDACTED] – an asset cover test. Meeting this very comfortably.
- ✓ [REDACTED] – have an interest cover covenant, healthy levels of cover. Based on EBITDA (Earnings before interest, taxes, depreciation, and amortisation). Does not cover major repairs.

Post 2012 less liquidity in market. Lenders took the opportunity to tighten their covenants. Accounting policy for HA's component accounting. Gave clarity for the first time re investing in their stock.

- [REDACTED] look for Cloch to deduct our CapEx (Capital Expenditure) – gold standard type covenant before we test against net interest costs. Gearing covenant to test.
- [REDACTED] tested against the historic cost of our stock. Currently at 9% against the 50%.
- [REDACTED] test against net worth, 12% against 35%. Could borrow more under the [REDACTED]. Covenants would limit the organisation but not by much.

Component Accounting was introduced in 2012. In 2016, FRS102 (Financial Reporting Standard) came into force. This has not been an easy area for lenders and housing associations to navigate. The Statement of Recommended Practice (SORPs) is meant to make it much clearer for those that read accounts.

Post Covid: housing associations are wanting to catch up on repairs that had been missed after lockdowns. So lenders have had a lot of covenants to adjust to a sensible level to allow them to do these repairs without compromising the covenants.

Some areas that have affected this are:-

- Fire safety costs/H&S (certainly in England not so much Scotland). A lot of clients had to spend a lot more money removing cladding and replacing it.
- Damp/mould issues.

[REDACTED] ended the session by stating that financial covenants should not run a business. Lenders will look at changing/adjusting covenants from time to time. Businesses need to engage with their lenders early to make the necessary adjustments to ensure breaches don't occur.

The Chair and CEO thanked [REDACTED] for their attendance and insight into the world of covenants.

[REDACTED] left the meeting at 6.08pm.

The Chair welcomed [REDACTED] to the meeting as well as [REDACTED] who was observing with the intention of joining the membership and becoming a Board member.

The Chair stated that, as had previously been agreed, the meeting would run to 8.30pm and therefore Standing Orders would not need to be invoked unless the meeting ran beyond 8.30pm.

00.

██████████ presented the findings from the Factoring Satisfaction Survey and advised that more information will be available later that is not included in the presentation tonight. The key points were:-

- Results are from the owners satisfaction survey that took place in Mar/Apr this year via telephone consultations.
- 33% response rate achieved; 99 interviews. This was not a good response rate.
- 66% of owners are fairly/very satisfied. This is an increase on the 2021 level of 53%. It is also above the Scottish average of 62%.
- 93% said it was easy to communicate with Cloch. Most preferred interactions by telephone followed by a small percentage by email.
- 99% were satisfied with Cloch's opening hours.
- Only 46% said there was value to them of the 6pm opening on a Thursday.
- 84% of owners don't use the portal available to them. Of those that did use it, they only made payments to their factoring account.
- 94% were satisfied with the service they received from the Finance team.
- 93% said it was easy to understand their factoring invoices.
- 64% were satisfied with repairs/communal maintenance.
- 71% said that Cloch provided a "value for money" service.

██████████ advised that these were good, positive response from owners. ██████████ advised there were additional comments when it came to the questions about communal repairs/services such as grass cutting, common close cleaning, taking bins out, etc.

The Chair intimated this was a good result for the Association and thanked ██████████ for the presentation. The DPSA advised that they will have the survey results uploaded onto the Board Portal.

The CEO advised that an action plan will be brought to the August Board meeting.

██████████ left the meeting at 6.17pm.

ACTION

The DPSA to arrange for the survey results to be uploaded onto the Board Portal.

The Chair advised that at the F&CS Sub-Committee meeting held on 27 February 2024 a review of the Minute Taking Protocol had been approved. One of the proposals involved leaving the proposer and seconder of motions unredacted in the minutes. The Chair intimated that the F&CS members had offered no objections to this and asked the Board if they had any objections to this. As there were no objections all minutes from this point onwards would have the names left unredacted.

1.	<p>Apologies & Declarations of Interest</p> <p>The Chair asked if any apologies had been received. The CSO intimated that only the Depute CEO had submitted apologies. There had been no declarations of interest made.</p>
2.	<p>Minutes of the Meeting held on 13 February 2024</p> <p>The Chair asked for the acronym “EVH” to be redacted under item 9. The CSO will action this.</p> <p>ACTION Redaction to be made by the CSO.</p> <p>RESOLUTION With the above action completed the Minutes were approved as a true record of the meeting on the motion of:</p> <p>Proposed: D Brown Seconded: K Robertson</p>
3.	<p>Matters Arising & Outstanding Actions</p> <p>The CEO advised that item 11 – training for the Board on Employment Law will proceed even though the current case has now been withdrawn by the claimant. This will be provided by ██████ (a legal firm for businesses).</p> <p>Item 6 – the VAT threshold is £90k and Cloch will reach that later in the year. We have engaged the services of a consultant who is looking to see if VAT is applicable and to get a ruling on this. If ruling not confirmed by the time Cloch nears the VAT threshold then we will set up a subsidiary company for this. This subsidiary would provide services for our factored owners and our shared services with ██████. A report will be brought to the August Board meeting.</p> <p>A report by ██████ was due on “value for money” but the Association is not happy with the quality of the report. The Director of the firm is redoing the report and a reduction on the fee has been agreed.</p> <p>A member stated that it would be good to get clarity on the VAT issue as this has been an ongoing issue for some time now. The CEO was asked if there were costs associated with setting up a subsidiary. The CEO replied that it would cost £100 to set up a subsidiary.</p> <p><u>Post Meeting Note</u></p> <p>The CEO confirmed the ongoing costs and processes for setting up a subsidiary. The annual ongoing costs would be in the region of £1k-£1.5k and there would be the requirement to set up a separate Board for the subsidiary.</p>

<p>4.</p>	<p>Resignation of Secretary</p> <p>The Board had previously been advised of the resignation of our Secretary and that a new Secretary was required to fill the post until elections at the AGM in September.</p> <p>A proposal to nominate Eleanor Robertson for the temporary position of Secretary was approved. E Robertson accepted the position. There were no other nominations.</p> <p>RESOLUTION Proposed: K Ferns Seconded: J Smith</p>
<p>ITEMS FOR APPROVAL</p>	
<p>5.</p>	<p>SHR Stock Return</p> <p>The DCSC's made a presentation to the Board that combined the Scottish Housing Regulator (SHR) Stock Return (agenda item 5) with the SHR Annual Return on the Charter (ARC) return (agenda item 6).</p>
	<p>The DCSC took the Board through the presentation and advised the colour coding was as follows:</p> <p>Green – good performance Amber – same as last year Red – performance has slipped</p> <p>The DCSC highlighted the main areas from the report:</p> <ul style="list-style-type: none"> • No of senior staff reduced (change to the LT) but overall increase in staff. Increase in staff mainly due to 2 maternity leaves and cover for this as well as some long-term absences. Increase to percentage of sick leave. • 1,441 units in total. 8 acquisitions made during the year. • Positive result in lettings to homeless section 5 referrals and others. • % of tenancy offers being refused has decreased which is positive and average time to relet has almost halved. This is partly due to the new contractors that are in place as well as better working between the Property and Housing teams. • Increase in rent arrears is disappointing but no doubt the cost-of-living crisis is still having an impact on this. • Further improvement on rent collected. • 44.12% former tenant arrears have been written off. It is important to get rent arrears in before a tenancy has ended as it is very difficult to get it back afterwards. • Increase in satisfaction with management of estates/neighbourhoods as well as anti-social behaviour cases. • Number of court actions resulting in eviction was 2. Our aim is to sustain tenancies; court action is always the last resort. • Strong performance in repairs/maintenance as well as complaints handling. • Overall satisfaction has increased to 92.86%

	<p>To summarise the DCSC stated that the key findings were:</p> <ul style="list-style-type: none"> ➤ Positive ➤ Satisfaction results improved ➤ Staff sickness and turnover has increased ➤ Refusals decreased ➤ Void loss improved ➤ Rent arrears have increased – hopeful to turnaround. We still remain in a strong position in our benchmarking groups. <p>The next steps would be to approve the ARC and submit it by the deadline of 31 May 2024. This is then validated, and the results published by the SHR. Cloch then publishes the results for our tenants and other customers.</p> <p>The Chair intimated that the Association is going in the right direction with improvements made in many areas and although we have seen an increase in rent arrears we are not at the levels that others in the sector are having. It is good to see that Cloch offers schemes to its tenants such as “Financial Fitness” to help with this.</p> <p>The CEO advised that going forward the Association will employ a consultant to help with an ARC audit. There had been queries in the past about interpretations of some questions and the SHR has been contacted to get confirmation.</p> <p>RESOLUTION The SHR Stock Return was approved.</p> <p>Proposed: N McLachlan Seconded: K Robertson</p>
<p>6.</p>	<p>SHR ARC Return</p> <p>The above item had been covered in the presentation for agenda item 5.</p> <p>RESOLUTION The SHR Annual Return on the Charter was approved for submission.</p> <p>Proposed: D Brown Seconded: H Tarpanova</p>
<p>7.</p>	<p>SHR Return – 5 Year Financial Plan</p> <p>The CEO advised that this paper requires further work on it as there are some additional adjustments to be made and requested that the Chair and Vice-Chair are given delegated authority to approve this within the next few days.</p> <p>The CEO reported as follows:</p> <ul style="list-style-type: none"> • This is an update to the budget. • Figures for 2023/24 have been fed into the latest round of assumptions.

- Changes to assumptions at item 2.3 – salary inflation has changed, and a buffer is provided should it be required.
- 0.5% added into major repairs figure.
- Base rate has changed; down to 4.25%. Could go down to 3.5% in future years.
- Have increased void loss to 2% as the lenders like to see this protection.
- Bad debts brought down slightly.
- Table at item 7 shows the budget approved in February. £670k movement in planned maintenance. Gets recirculated into capitalised expenditure.

The CEO advised that clarification needs to be sought on:-

- The rise in management costs.
- Reactive and void maintenance – goes down then jumps up again, something not right.
- Bought 8 units via acquisition. Funding should be £330k but this figure not showing.
- Employer contribution to pensions incorrect. The pension scheme did change but could relate to salary sacrifice; might need a comment in there to clarify.
- Staff costs increased. Staff restructure was to be cost neutral. This needs investigating.

RESOLUTION

Approval given to provide delegated authority to the Chair and Vice-Chair to make the final decision to approve based on the changes mentioned above.

Proposed: D McIndoe
 Seconded: N McLachlan

8. Annual Disposal & Acquisitions Report

The DPSA took the Board through the report.

- 8 acquisitions completed.
- Priority is for 3 & 4 bedroomed homes.
- Looking to make a further 5 acquisitions during 2024-25.
- 22 homes have been purchased since 2021 at a cost of £1.3m with £588k of funding secured.
- No disposals have been made.

A question was asked if the Association is moving away from purchasing flats to houses only. The DPSA replied that the Association’s acquisition strategy states the purchase of flats would happen if this meant the Association had above 75% ownership as this would mean we would be the majority owner and as the factor this provides the majority for major repairs. However, the preference is for 3 & 4 bedroomed houses. This is what our tenants are looking for.

The Chair commented that it was commendable to get 22 units for £1.3m considering we could not build units ourselves for this amount plus it was important to get the right type of properties for our portfolio.

	The report was for noting only.
9.	<p>Annual Complaints Report</p> <p>The QPIO took the Board through the report that gave a breakdown of complaints received and compliments made for the period 1 April 2023 to 31 March 2024.</p> <ul style="list-style-type: none"> • Reduction in the level of complaints. New repairs service having a positive impact on this with increased levels of satisfaction. • Half of complaints resolved at first point of contact with immediate resolution. • Stage 2 complaints have increased slightly but this relates to only 1 complaint. • Most complaints lie with Property services, but this is due to the nature of the services they provide (eg repairs) that mainly tie into issues with the contractor. • SPSO has been very complimentary about how Cloch deals with complaints. • Positive bi-monthly complaints meetings with LT/Seniors helped with identifying trends. • Will celebrate compliments more. • Staff had additional training on handling difficult customers. • Got substantial assurance from our complaints audit held in December 2023. <p>The Chair stated it was good to see the number of complaints going down and liked the “lessons learned” part of the report. It takes the pressure of staff when complaints are reducing.</p> <p>The Chair asked if it was possible to get the SPSO feedback for the Board.</p> <p>ACTION The QPIO to provide the SPSO feedback to a future meeting.</p> <p>The Board noted the report.</p>
10.	<p>Governance Appraisal</p> <p>The CEO reminded the Board that part of the process was for the consultant to observe the meeting and that this was taking place this evening and a report will be presented to the August Board meeting. The Action Plan from the previous year had been updated and all actions will have been met once the Governance training has been completed (due to take place in June and July).</p> <p>The consultant noted that the Board contained some new members and gave a run through of what the appraisal process would comprise of.</p> <ul style="list-style-type: none"> • A questionnaire would be submitted (any queries regarding the questions can be tweaked prior to issue). • Online link to the survey will be issued on 30 May with a 2-week window for completion. This should take about 20-30 mins to complete. • A one-to-one meeting will then take place. • Draft report should be completed by early August in time for the Board meeting on the 20th August.

	<ul style="list-style-type: none"> • Recommendations will look at Cloch’s vision/values, views of shareholders, succession planning, etc and how this feeds through the year. • Process looks at how the Board can be supported in a very demanding role. <p>The Chair advised that new members could reach out to them and the CEO should they wish to ask about the process and the questionnaire.</p> <p>This report was for noting.</p>
POLICIES FOR REVIEW & APPROVAL	
11.	<p>Being Complained About</p> <p>The QPIO advised that there was only 1 minor change under item 4.6 detailing that Mental Health First Aiders and Debriefers were now trained and available as well as the counselling services via our current healthcare provider.</p> <p>RESOLUTION</p> <p>The policy review was approved.</p> <p>Proposed: K Robertson Seconded: D Brown</p>
12.	<p>Q4 – KPI’s/Risk Register/Global Action Plan Review & New KPI Targets for 2024/25</p> <p>The CEO advised that this paper encapsulated various target-related information and looked at the 38 areas of performance over the last year.</p> <ul style="list-style-type: none"> • 29 indicators (76%) met or exceeded target. • Areas where we missed targets have been impacted by the CoL crisis (eg rent arrears). • Out of hours emergencies target was missed slightly and was due to contractor performance issues. Meetings have been held with them and figures in March showed improvement. • Going forward we will benchmark with the Scottish Housing Network (SHN) only; as we get more from our membership with this group. • Changes in the risk register include reducing the risk of the LT; 2 new members in place since Jan/Feb. Also homes no longer fit for purpose reduced to 15 from 20 but will continue to work on this over the coming years. • Board Away Day in April – the appendices provide information for those who could not make the day. • The Global Action Plan will continue to develop and the 2024/25 plan will be tabled at the August Board meeting. • A new housing software system will be a priority as will Board recruitment to fill the last 2 places. <p>The Chair commented that the report was very detailed but at the same time there were no surprises in it with regards to the KPI’s and risks.</p>

RESOLUTION

The Board approved the following recommendations:

1. Approve the KPI's for 2024/25
2. Risks identified from the Away Day to be added to the Risk Register.
3. Continue with the GAP approach for 2024/25; cross reference with existing and add any new ones if they surface.

Proposed: D McIndoe

Seconded: D Brown

13. Assurance Statement Process 2024 & Update on the 2023 Action Plan

The CEO intimated that Cloch has been chosen for a visit by the SHR. During the recent AAS audit Cloch achieved substantial assurance. We were praised for our good practices as well as being innovative. They particularly liked the new post of Tenant Health & Safety Compliance Officer.

Within the sector a visit by the SHR is very often seen as a negative thing but Cloch did not see it that way and thought it was a really good experience. We have advised the SHR that we are happy to be used as a case study to show this.

The Chair agreed with the CEO and stated that any initial apprehension was quickly dismissed by the assurances that the SHR gave on the process. All housing associations are ultimately accountable to the SHR. The Chair suggested to the SHR that they do a small 15-min session to explain what the visit/process was about. They were very open to this idea, but they may not have the capacity to do it. The CEO stated that the process is very intensive for all the staff too.

With this in mind the CEO's approach will be to start the process earlier than normal with the aim of having it concluded by October. The intention is to spread the work out over the whole Board in smaller groups, rather than one group trying to cover all the actions. The CEO and QPIO will do most of the work then put this to the groups for scrutiny working through all the standards. It was understood that not everyone would be able to make all the meetings.

ACTIONS

The CEO will issue a doodle poll with a note of the 7 standards to be looked at together with some dates during July-September.

RESOLUTION

The Board gave approval to proceed.

Proposed: N McLachlan

Seconded: J Smith

<p>14.</p>	<p>Review of Business Plan 2023/24 for 2024/25</p> <p>The CEO advised this came from the Board/LT Away Day in April. Much work had been carried out on the SWOT (strengths, weaknesses, opportunities, threats) which fed into the afternoon session. From this any risks were fed into the Risk Register.</p> <p>It was very good to note that both the Board and staff thinking is very similar with the following being the key areas of concern:</p> <ul style="list-style-type: none"> • Planned maintenance • Structure refresh • New housing software system. <p>The Chair liked the format of the Away Day with some work done in advance, the icebreaker and a chance for some social chat before the day concluded.</p> <p>The CEO advised that a consultant is being engaged to carry out a governance review and a proposal will be brought to the August Board meeting. Incidentally, the consultant liked the Board Portal as they hadn't seen this before.</p> <p>The Board noted the report.</p>
<p>15.</p>	<p>Landlord Safety Manual – Annual Report</p> <p>The DPSA advised, for the newer members, that the Association subscribes to the LSM via [REDACTED] but that it is not compulsory to join. Cloch joined in 2020 and the LSM is a tool for us to look at our policies and procedures to ensure we are complying with legislation and best practice.</p> <p>The report identified which policies had been reviewed and what was planned for 2024/25 to make sure that the Association continually makes improvements. A recent audit had been well received and a good level of compliance was achieved. The new Tenant Health & Safety Compliance Officer will work alongside the technical staff going through the Action Plan for the year. They have already identified training for staff and in the process of organising this.</p> <p>The DPSA advised that a copy of the LSM is held in the Board Portal for any Board member who wishes to view the full manual.</p> <p>The Chair noted that at items 3.2/3.3 all Board members were asked to electronically sign the declaration. However, it would be taken as signed at this meeting if there were no objections. There were no objections.</p> <p>The Board noted the report.</p>
<p>16.</p>	<p>Gifts & Hospitality and Donations Register</p> <p>The CSO took the Board through the report noting the donations budget had been spend in full up to the end of the financial year. The Register will be signed by the Chair at the earliest opportunity.</p>

	The Board noted the report.
17.	<p>Notifiable Events – verbal</p> <p>The CEO advised this has to be a standard item on the agenda going forward. There were none recorded.</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
18.	<p>Health & Safety Report</p> <p>The CSO spoke to the report and advised the matter did not require any further action.</p>
19.	<p>GDPR – verbal</p> <p>The CSO advised that this item is a standing item. A report will be prepared for the F&CS Sub-Committee on 4 June 2024.</p>
20.	<p>Internal Audit Plan 2024/25 – verbal</p> <p>The CEO advised that a paper will be going to the F&CS Sub-Committee on 4 June 2024 asking for another years extension to the existing contract with [REDACTED]. It is not conducive to retender at this time. [REDACTED] have advised it will be an increase of inflation only to the existing fee.</p>
21.	<p>AOCB & Reflections</p> <p>The Chair advised that the SHR visit on 16 May 2024 doubled up with the working group meeting dealing with the flooding incidents. A report from [REDACTED] is expected and it will be interesting to see what their recommendations are.</p> <p>The Chair was also very honoured to speak to the Staff Away day and to present some awards.</p> <p>The CEO stated that a Wellbeing Strategy will be put together combining the points that came out of the day and will be co-ordinated by our HR consultant who took the morning session.</p> <p>The Chair intimated that the Association’s Spring Newsletter is now complete and being issued to tenants and uploaded onto our website and the Board Portal.</p>
21.1	<p>Application for Membership & Application for the Board</p> <p>At this point, [REDACTED] left the meeting - 7.56pm.</p>

	<p>The CEO advised that the application was before the Board for consideration. It was noted that [REDACTED] has had a long career in the housing sector.</p> <p>RESOLUTION</p> <p>The Board approved the membership and application to join the Board.</p> <p>Proposed: D Brown Seconded: K Robertson</p>
21.2	<p>The Chair and the Vice-Chair will look at the final submission of the SHR – 5-Year Financial Plan and this will be uploaded onto the Board Portal thereafter.</p>
22.	<p>Date of Next Meeting – 20 August 2024</p>
	<p>The Meeting ended at 8pm.</p>