

Cloch Housing Association

**Minutes of Board Meeting
held on Tuesday 6 December 2022, at 6pm
via MS Teams and in the office**

Present - online: Kelly Ferns (Chair), Heather Thomson (Vice Chair),
Eileen Tamburrini (Secretary), Ken Robertson
David Brown, Hristina Tarpanova (cv), Victoria Weir (cv)

Present – office: Eleanor Robertson, Jackie Smith

Attending: Alana Durnin (CEO)
in office & online Louise Carlin (Head of Housing Services)
Valerie Wilson (Finance Director)
Paul McColgan (Head of Property Services)
Shonaid Musgrove (Corporate Services Officer, Minute Taker)
Carolyne Swinney (Corporate Services Assistant – Training)

Apologies: None

<p>1.</p>	<p>Apologies, Declarations of Interest & Welcome to our new Board members</p> <p>The Chair opened the meeting and advised that the order of the agenda will change considering the pre-meeting training session on “Treasury Management,” with agenda item 9 being taken first to assist with relating the training to the content of report.</p> <p>E Robertson intimated a declaration of interest regarding her involvement with Financial Fitness.</p> <p>There were no apologies noted.</p> <p>The Chair welcomed the two new Board members and invited them to ask questions at any point during the meeting if they required clarification on matters discussed.</p>
<p>9.</p>	<p>The presentation began and the key points below were noted:</p> <ul style="list-style-type: none">• Interest rates have increased above projections made in February 2022 by banks and treasury management consultants – the increase was not predicted, and the banks were also surprised at the speed of change impacted by inflation and other external factors.• A new treasury strategy has therefore been formulated to mitigate financial risk for the Association.• The lending rate, SONIA, is currently just under 3%, with the banks predicting a potential increase to 5%.• Loan facility B with RBS is a traditional mortgage loan facility, e.g., the loan is drawn-down, and the money is held in the bank account to pay

for costs being incurred. This loan funding was set up originally to pay for the Kings Glen development.

- However, there is an opportunity to move [REDACTED] from the traditional loan to the existing RCF, (Revolving Credit Facility, known as facility C). The RCF can give access to the loan funding money within a couple of days, but instead of having the loan funding in our bank account and paying interest, Cloch would only draw down funds when needed, and we can also pay back loan funding, e.g., when cash balances are high. The RCF has a reduced non-utilisation fee applicable to undrawn funds of [REDACTED] versus the current interest rate of [REDACTED]
- The RCF will save money by using high cash balances held in bank accounts to pay for activities, rather than using loan funding.
- The cash held in the bank accounts is not making money, e.g., low rates for cash held from the banks.
- This will save Cloch about £121k per year in interest costs as interest rates will reduce from the current rate of [REDACTED] to the non-utilisation fees rate of [REDACTED] against undrawn loan funding.
- With this new approach, there is no risk associated with the availability / accessing loan funding, however the RBS loan agreement will need to be amended via an amendment letter, to transfer an amount from facility B to facility C. This process requires bank credit approval and legal fees will be around £1k.
- In addition to the above proposal, there is a [REDACTED] with BoS, (Bank of Scotland) and the fixed rate is due to expire at the end of January 2023. This leaves Cloch exposed to variable loan interest rate movement. BoS have offered to refinance this loan and extend it from the [REDACTED], with a reduced bank margin [REDACTED]. The reduced margin would save circa £36k in interest per annum over the next 5 years if no capital repayments were made. One-off loan set up fee of [REDACTED] would apply, in addition to legal fees but there will be savings over the long term.
- A stock valuation for BoS would be required, however the value of properties will have increased since the last valuation in 2012, and Cloch should be able to release properties from security due to higher values.
- ATFS, the Treasury Management Consultant, have reviewed the options proposed by RBS and BoS and have concurred with the recommendations put forward to the Board.

The Chair advised that the training, report, and presentation on Treasury Management had given the Board plenty to think about and invited questions.

A Board member noted the interest rates on the BoS loan had been the same for many years and also enquired if the Association would consider looking to investing cash in a bond type of saving account, which might receive higher rates of interest for cash held versus a traditional deposit account. The CEO replied that the rates on the BoS loan were fixed for many years and therefore had not changed, however one of the fixed rate loans - [REDACTED] was ending in January 2023, and this was why BoS had proposed the refinancing option. For cash in the bank, the CEO confirmed

	<p>she would be uneasy locking cash held away for a longer period, associated with bond savings accounts, particularly when there is uncertainty with whether the Scottish Government is going to cap or freeze rent increases, which will have an impact on cash reserves. The CEO stated that the RCF option proposed gives the Association security and flexibility in terms of access to funds, against the uncertain/ unsettled operating environment.</p> <p>A Board member asked if other scenarios had been reviewed. The CEO confirmed financial modelling had been done and formed part of the reasoning for the RCF option being presented. The CEO advised that having a RCF would mean the cash balances would reduce but, in the background, [REDACTED] of loan funding would be available to be drawn with 2 days' notice required. With this approach, the Board would now see lower cash held balances in the Management Accounts and modelled in the financial plan with a minimum cash held target of £500k instead of the £3M benchmark currently used, for financial appraisals. A Board member enquired what was the lowest figure that offered protection in terms of cash. The CEO replied £500k would be the minimum cash held value, however there would also be a minimum RCF loan funding value, e.g., £2.5M. The CEO commented that the finance team require to focus more on cashflow monitoring with this approach. The Treasury Management policy would also have to be updated, to reflect the RCF and minimum cash values + minimum RCF funds available, to inform further financial appraisals and future loan funding requirements.</p> <p>The good relationship that the Association has with its lenders has been paramount in securing these proposed deals.</p> <p>Resolution The options within the Treasury Strategy were proposed, seconded, and approved, e.g., Transfer some of the RBS loan funding from the traditional mortgage, (facility B) to the revolving credit loan, (facility C) and to move forward with the BoS 10-year refinance option and associated lower bank margin.</p>
2.	<p>Minutes of Board Meeting – 11 October 2022</p> <p>Resolution Approval of the Minutes with no redactions required.</p>
3.	<p>Matters Arising & Outstanding Actions</p> <p>There were no matters arising or any outstanding actions.</p>
4. 4.1	<p>Minutes of Sub-Committees</p> <p><u>Housing & Property Services – 15 November 2022</u></p>

4.2	<p>The HofPS, (Head of Property Services), referred to the minute of the meeting and advised that the following items had been discussed:</p> <ul style="list-style-type: none"> • Sequestration write-offs. • Allocation of a tenancy, (ex-employee), approved via electronic approval. • Fee proposals for re-joining the GWSF, (Glasgow & West of Scotland Forum), with agreement that this would be discussed further at the next meeting. • Housing & Property reports. • Reactive and void repairs report. <p><u>Finance & Corporate Services Sub-Committee – 29 November 2022</u></p> <p>The CEO referred to the minute of the meeting and advised the following reports had been discussed:</p> <ul style="list-style-type: none"> • Management Accounts. • Treasury Management. • HofCS/FD reports. • Equality & Diversity – outcomes from survey. • ICT report. <p>Resolution The Board noted the above.</p>
5.	<p>CEO's Report</p> <p>The Board had been provided with the CEO's report earlier than normal to give additional time to read this and the following key points were highlighted:</p> <ul style="list-style-type: none"> • The CEO has been in post for one month now and has been shadowing staff - the insight had been invaluable. • Due to staff shortages, it was agreed the CEO would assist the Finance team two days per week until the new Finance Director was settled in. • The CEO had attended interesting conferences and the themes from these related to a "permacrisis", (various catastrophic events), and the impact of these were highlighted. • There had been a different structure to the staff meetings – more interactive / more staff feedback on the impact of external factors on grass route work. Discussion points from this were the increase in general living costs/higher level of foodbank referrals/mental health problems as well as concern for those working on minimum wage and recruitment being challenging for key staff roles. • The CEO has arranged meetings with key stakeholders e.g., MP's/MSP's, to raise awareness of the impact of a potential rent freeze or cap. • A new customer engagement team has been set up and the first event had taken place. The focus of activities over the next month was to get more customers using the tenant portal. • Treasury Management Strategy – discussed above.

	<ul style="list-style-type: none"> • Consider and get the Board’s view on Cloch’s diversification plans against the backdrop of uncertainty and risk, e.g., hold any development plans for now and pull back from the Birkmyre project. • Refresh and reprioritise the Business Plan as so much has changed in the external operating environment - having clear priorities for the staff team will be important moving forward. There was strong governance noted within the recent Board appraisals and this was welcomed. • Reviewing new models for procuring contractors e.g., try and promote opportunities to local contractors to keep the circle of money within Inverclyde. • The EESSH2 interim guidance and our progress against this, which will be reported to next Board meeting. • The appointment of a housing consultant for 3 months, working 2-3 days/week [REDACTED] in line with Cloch’s recruitment commitment. • Staff resilience has been amazing with all that they have had to deal with. The F&CS Sub-Committee had recognised this and instructed the office to close early on last day of business. The staff team appreciated this. • Electric cars paid by staff via a salary sacrifice scheme presents an opportunity which is being investigated. <p>The CEO took the Board back to the proposal to disengage from further discussions about the Birkmyre project and the proposal to appoint a temporary housing consultant. A Board member asked what legal fees the Association would be liable for if Cloch pulled back from this. The CEO replied £2.5k and advised that another housing association could take this project forward. The CEO felt that the timing was not right as there were three new members of the Leadership Team and the current economic situation was too volatile with so many critical issues occurring at the same time. The CEO asked the Board if they wanted the project to proceed or were they satisfied with the reasoning given for not taking this forward beyond the appraisal stage. The Board agreed to pull back from the project. The CEO explained the background to the proposal to appoint a temporary housing consultant and the Board agreed.</p> <p>Resolutions</p> <ol style="list-style-type: none"> 1. Approval to disengage from the Birkmyre project. 2. Approval to appoint a temporary housing consultant for a period of 3 months based on them working 2-3 days per week.
6.	<p>Mid-Year Budget – 2022/23</p> <p>The FD, (Finance Director), made a presentation to the Board re: the revised 2022-23 budget. The key points noted were:</p> <ul style="list-style-type: none"> • The post year-end budget was approved at the 26 July 2022 Board meeting, in the main taking account of carry forward plans into 2022/23. • £934k surplus was now predicted.

	<ul style="list-style-type: none"> • Various increases/decreases were explained e.g., increase in estate costs/decrease in capitalised costs. This resulted in an increase of £492k to the surplus. • All covenants were all exceeded in the revised budget. • A strong cash position remained. <p>The FD asked if the Board had any questions. There were none.</p> <p>Resolution Approval of the revised 2022-23 budget.</p>
7.	<p>1st Draft - Budget & Financial Plan 2023/24</p> <p>The CEO took the Board through the presentation. The key points of note were:</p> <ul style="list-style-type: none"> • There had been a revamp of the financial plan to reflect the current economic environment. The mid-year budget review was incorporated into the information being presented. • 95% of Cloch's income comes from rents therefore the Scottish Government's decision on a rent freeze or cap is crucial re: the impact on cash projections. • There are 4 main areas of high expenditure– planned/ cyclical repairs, loan capital/interest, void/reactive costs, and salary costs. • Figures predict that over the 30 years the Association will spend £91k per property in maintenance costs. • Within 30 years all loan funding should be paid off. • The graph of the 30-year cashflow shows the impact on cash over the long term at different inflation rate scenarios and the impact of a rent freeze. This highlighted how sensitive cash was to changes in varying rent uplift percentages. • 3 scenarios were presented– inflation modelled as 10%, 7% or a 5% rent increases and what mitigating action could be taken based on the different scenarios, (below inflation increases required mitigation). <p>The CEO confirmed she was not looking for approval or making recommendations at this stage but felt it was pertinent that the Board was fully informed of the impact of varying rent increase uplifts on the 2023/24 budget and financial plan prior to the Scottish Government's decision on a potential rent freeze or cap.</p> <p>The Board made the following comments:</p> <ul style="list-style-type: none"> ➤ Reducing planned maintenance helps financially but stock requires to be kept up to a regulatory standard. Cloch is good at managing this but needs to be wary that reducing the programme of work does not become the norm. ➤ There were countrywide issues with contractors due to skill/labour shortages and the lack of good contractors will mean everyone will be vying for the good ones.

	<ul style="list-style-type: none"> ➤ Tenants' benefits will increase by CPI inflation, but there was concern for those working on lower incomes. ➤ A rent freeze would have a significant impact for Cloch if no mitigating action was taken. ➤ Higher cost of living increases is impacting customers. <p>Resolution The Board noted the report.</p>
8.	<p>Rent Consultation</p> <p>The HofHS presented the rent consultation report, with the following points noted:</p> <ul style="list-style-type: none"> • Cloch would normally be consulting with tenants at this time of year. • There was a proposal to wait until the Scottish Government made their decision on a rent cap or rent freeze, which was due by 14 January 2023. • Thereafter, option A was to go straight to consultation, if a rent cap was above 5% per the financial modelling reviewed by the Board. Alternatively, option B – if a rent cap was below 5%, the Leadership Team would need to do a full options appraisal of the budget and bring this back to Board for a decision. • If option B was taken forward, the rent increase would commence from 31 May 2023 instead of 1 April 2023, to provide more time for meaningful tenant consultation on the impact for services. • Move March 2023 Board meeting to February or hold a Special Board meeting to discuss the rent increase only in February. Based on the rent consultation timetable associated with option A, the Board would need to approve the rent increase around the 21st of February 2023. • The new Customer Involvement Team would be hosting face-to-face meetings and a rent consultation newsletter is being prepared. • A soft launch survey had been issued to tenants to get views on varying rent considerations and this will help inform the formal tenant consultation approach and options. <p>The Board felt that February was already a busy month for them and to bring forward the March meeting would be too much therefore a special board meeting would be the best option. The Board asked what was going to happen to the rent restructure/rent harmonising, noting this had already been altered due to Covid. The CEO replied that this would be reviewed in line with the Scottish Government's decision, as legal advice may be required if a rent freeze were to apply. She also suggested the Board may want to postpone the next phase of the rent restructure for one year, due to the impact of the cost-of-living crisis.</p> <p>A Board member enquired if tenants were being kept up to date with the changes to our normal processes. The CEO replied that information will be communicated on the website, in our newsletter and via text messages. A Board member suggested an information leaflet with the rent increase</p>

	<p>options be issued. The CEO stated this is currently in progress in terms of layout and messaging to tenants.</p> <p>Actions Special Board meeting date to be advised as soon as possible.</p> <p>Resolution Approval of the changes to the rent consultation process for this year.</p>
9.	<p>Treasury Management Strategy Report</p> <p>Dealt with as the first agenda item.</p>
10.	<p>Acquisitions & Disposals</p> <p>The HofPS took the Board through the report, with the following points of note:</p> <ul style="list-style-type: none"> • Acquisition loan funding of £1M is in place to purchase houses fitting the Asset Management Strategy criteria. • A further £350k of grant funding has been awarded by Scottish Government to contribute to funding this programme. • 11 properties have been purchased and a further 3 are planned for this year, (2022/23). • A further 9 acquisitions are planned for 2023/24. • 1 unit at Killearn Road is left to sell, as part of Cloch's disposal plans. If there is no interest on the open market, then Cloch will consider selling the property at auction. After the sale, Cloch will then withdraw its factoring service from this area. <p>Resolution There were no questions, and the Board noted the report.</p>
11.	<p>Asset Management & Procurement – Interim Report</p> <p>The HofPS took the Board through the report, with the following points of note:</p> <ul style="list-style-type: none"> • Interim report had been provided for information as opposed to a full review, due to the continuing work on the stock condition survey information. • The ESSH2 review is due back from Scottish Government in Spring/Summer 2023, and this will have implications for the Asset Management Strategy. <p>Discussion took place regarding mould, damp and condensation. The HofPS advised that any tenant who reports the above results in a Property Services Officer attending the home to inspect the property, and this will be</p>

	<p>recorded. A leaflet on these issues is also provided and the newsletter due out in December will have an article on the topic to raise awareness. The common cause can be when homes are not heated and / or adequately ventilated. General advice during winter months is to try and inform tenants to keep heating on, even if at a lower temperature.</p> <p>Resolution The Board noted the report.</p>
12.	<p>Business Plan – KPI’s/Risk Map</p> <p>The CEO advised that these gave the Board an indication of Cloch’s performance against targets and risk mitigation actions.</p> <p>The Chair noted an error in the appendix at item No 12 – “Equalities Data collection survey complete, details to be shared with staff Nov/Dec 23”. The date should be 2022 not 2023. This was noted for update.</p> <p>Action Amend the narrative as detailed above.</p> <p>Resolution The Board noted the report.</p>
13.	<p>SHAPS – Consultation</p> <p>The FD made the presentation to the Board. For information the FD advised that she has been on the SHAPS Employer Committee since 2020/21. The following points were noted from the presentation:</p> <ul style="list-style-type: none"> • The purpose of the consultation is for employers to provide their views on considering closing the final salary pension due to the high level of contributions for both the employer and the employee and the feedback will be used to inform the SHAPS Employer Committee’s discussions and proposals. • Original consultation closed in July 2022, however Cloch did not respond to this due to the timing. Consultation has since been reopened for responses by 3 February 2023. • The investment market has changed dramatically, and the potential cost of the final salary scheme was projected in July 2022 to increase to over 20% employer /20% employee from April 2023. However, rates will now remain at the current levels until March 2024. • It was suggested that external training can be arranged prior to a decision being made. Quotes had been requested for training, but no costs had come back from preliminary enquiries. <p>The Board noted that there were currently thirteen staff still in the final salary scheme. This posed risk for Cloch and at the same time costs may no longer be affordable to these staff members. Board members were torn between protection for the staff and protection for the Association and felt they needed additional, external advice before responding.</p>

	<p>The Chair also suggested that those in the final salary scheme are surveyed to get their views, to feedback to Board to help form their decision.</p> <p>Action Arrange a pension training session in January 2023 and survey staff in the DB final salary scheme on their views.</p> <p>Resolution The Board noted the report.</p>
14.	<p>Debrief of Sub-Committees</p> <p>This had been covered at the recent Sub-Committees.</p>
15.	<p>AOCB</p>
15.1	<p><u>OSCR Annual Return</u></p> <p>The FD apologised for the late circulation of the report and advised that it requires to be submitted by the end of December and approved by the Board.</p> <p>The Board were advised that the return is based on figures/information from the Annual Accounts that were approved in August 2022.</p> <p><u>Board Membership</u> The Board was advised that unfortunately the leave of absence for P Marshall had expired and, as such, he would be removed from the Board.</p> <p>Resolution Approval of the Annual Return for submission.</p>
15.2	<p><u>Reflections</u></p> <p>The Chair thanked all the staff for the very full reports and presentations that had been made. They also felt that the hybrid meeting arrangements continued to work well.</p>
15.3	<p><u>Render Issue at Maukinhill</u></p> <p>A Board member had enquired about this previously and the HofPS confirmed that an update will be provided at the next Housing & Property Services Sub-Committee, or the Board member could email the Head of Property Services for an update.</p>

15.4	<p><u>Board Conferences – Board/Staff Recruitment</u></p> <p>A Board member advised they had recently attended a conference and one session was about the recruitment of young people into the housing association movement – staff and Board. It was suggested that some students may wish to be involved in Board membership to help with their education and to build up experience for their CVs. It was agreed attracting young people would form part of the Board recruitment plan.</p>
16.	<p>Date of Next Meeting – 31 January 2023</p>
	<p>The meeting closed at 8.10pm</p>