

Minute of Langstane Housing Association’s hybrid Board of Management Meeting held at 680 King Street, Aberdeen, AB24 1SL on 18 April 2024 at 12.30pm

Meeting start time	12:55pm	Meeting end time	2:15pm
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Present	Members - in person	Members - remote attendance
	M Martin, chair	D Bain
	J Knowles, vice chair	T Dinozzi
		J Drummond
		J Fraser
	I Jamieson	
In Attendance	In Person	Remote Attendance
	H Gauld, chief executive	M Ballance, director of property
	M Macarthur, director of finance and corporate services	H Lawson, team leader - executive office (minute taker)
	J Sutherland, director of housing	

Apologies	S Gray
	A Stevenson
	G Urquhart

Not present / No apologies	A Habib
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1. Board discussions (in-camera)

After the in-camera board discussions, the chair highlighted that due to the content on today’s agenda, it would have been helpful for documents to be uploaded to the portal as and when ready and not wait to upload all the papers together (giving seven days’ notice).

The chair also recommended summarising key corporate documents such as the business plan and asset management strategy in a concise bullet-point format, one to two pages maximum, with references to key pages.

2. Chief executive statement

The chief executive confirmed there was nothing on the meeting’s agenda that knowingly contravenes the rules, regulations and regulatory requirements of the Association.

3. Apologies / absence

The apologies noted above were intimated to the board.

4. Declaration(s) of interest

There were no declarations of interest.

After addressing the initial four agenda items, the chair recommended prioritising discussions on the business plan, asset management strategy and 5-year financial plans. The remaining agenda items were discussed subsequently.

7. Corporate document review report

7.1 Business plan

The chief executive verified the business plan was presented to the board but that any decisions made at today's meeting will impact the organisation's financial plans and these will be updated.

Presented to the board are three interconnected documents, the business plan, asset management strategy and 5-year financial plans. These documents align with the major spending areas outlined in the asset management strategy and any risks faced by the Association. The projects and costs are driven by legal and regulatory requirements the association is required to fulfil. However, there is uncertainty regarding the association's requirements in terms of net zero work (due to a lack of clarity on the final requirements and technology available). The chair asked, on behalf of the board, that a definitive statement be added to the business plan and asset management strategy to address uncertainties about future spending.

The chief executive emphasised that proceeding with the refurbishment works, independent of the net zero project, would be considered work akin to a new development and would require additional resources to move forward. However, it is important that any major works meet net zero requirements.

The chief executive discussed a slight amendment to the association's vision on page 6 of the plan, proposed by the customer service manager, to focus on empowering our people, customers and communities to be the best they can be.

There is a new addition to the business plan on page 12, which sets down the association's culture.

In summary, the chief executive discussed the challenges posed by numerous uncertainties in consolidating the three key documents, making it difficult to forecast future resource needs.

The chief executive confirmed she would conduct a final review of the business plan to ensure compliance with revised Scottish Housing Regulator guidance that took effect on April 1, 2024.

7.2 Asset management strategy

The strategy incorporates guidance from the regulator on integrated strategic asset management, as outlined in section 7. Additionally, it considers discussions from previous board meetings regarding the need to diversify stock and address other challenges.

To avoid a detailed overview of the entire strategy, the director of property focused on presenting the four main ambitions set for 2029. These ambitions are significant and have the potential to extend beyond the specified timeline.

The first ambition is to future-proof the property portfolio. This objective has been under discussion for the past year following a project assisted

by HouseMark, to analyse the stock portfolio and address the challenges posed by small and bedsit properties.

A regular review of the stock is conducted every three years using specific indicators based on historic data. However, the results of these reviews vary each time, suggesting a need to reassess the indicators to ensure they are providing accurate information for making decisions regarding disposals and property reconfigurations. It is proposed to reassess the indicators to determine the necessary standards for the property stock by 2040, taking into consideration space standards, access to outdoor spaces, and tenant preferences. This will enable informed decisions on disposals and investments based on a broader set of information than just historical data.

There will also be a requirement to examine the development strategy and policy in preparation for future growth, it is believed that diversifying the housing stock to include more family and elderly housing units will require a new build development program. By reconfiguring existing properties, the number of single person residences can be reduced. The proposal aims to restart the development program and complete 20 new family homes by 2029 if financially feasible.

The second ambition involves achieving net zero or decarbonisation by 2045, a challenging task due to the uncertainty surrounding the social housing net zero standard. In order to reach this target, approximately 160 homes per year would need to be addressed, requiring non-income generating work and securing grant funding to develop a roadmap. The proposed approach suggests beginning with a higher level analysis of property archetypes and then focusing on a two to three year section of the roadmap for implementation. Langstane will also be required to transition homes from gas to electric heating by the year 2029.

The third ambition is to ensure ongoing safety for homes and communities by 2029. It is proposed to continue compliance programs and review approaches. Challenges are expected with the single building assessment bill, currently in Parliament, requiring assessments for properties over 4-stories with cladding. Banks may require these assessments for property security, necessitating a risk-based approach.

The final ambition is considered a more immediate challenge. The repairs service has not yet reached the customer satisfaction standards previously achieved with a thorough review of the current situation necessary. Proposals have been made to increase customer involvement and determine the role of the DLO in the maintenance service's future. Additionally, proposals to improve satisfaction levels to 90% by 2029 have been outlined.

The chair asked if the association had four-storey buildings with cladding in its stock portfolio. The director of property responded that the definition of cladding has broadened, leading to potential single building assessments being needed for certain properties. The director plans to confirm the exact number at a later time.

The chair concisely stated that the team is incorporating provisional sums into the strategy in order to outline their ambitions clearly. It was emphasised that the provisional sums are being used as a starting point,

as certainty is lacking. This approach will allow for the completion of the five-year financial plan and timely submission of required information to the regulator.

I Jamieson stressed the importance of making a decision regarding which properties to dispose of and determining what upgrades are necessary for the remaining properties. The chair concurred, stating there is room for improvement in this area and suggesting that a proposal outlining suitable stock for disposal, refurbishment and reconfiguration be presented to the board by November 2024.

In response to Mr Jamieson, the director of property explained that the strategy being implemented involves increased planning in 2024 to identify properties to keep, dispose of, and move towards net zero. The director emphasised the importance of not investing in properties before determining their future, in order to avoid wasting resources on potentially disposed properties. The chief executive informed the board that the analysis of the future of property stock has shown differences to a similar analysis conducted four years ago.

The outlook for grants, especially for achieving net zero, appears to be diminishing by 2026. The government has acknowledged that their goals for 2030 may not be achievable, but they are targeting 2045 for their initiatives.

T Dinozzi commended the director of property for providing valuable information and analysis in the draft strategy. He recommended that the team make bold decisions concerning the disposal and reconfiguration of stock based on the current data, emphasising the importance of investing in the future by eliminating costly properties.

J Fraser suggested a simple starting point for decision-making is to consider disposing of a property or asset that has not generated income for a significant period of time, rather than continuing to invest resources into it.

8.3 5-year financial plan

The base model budget has already been presented to the board, with changes primarily related to updated income projections. The revised plan shows a slight increase in surplus from the original draft, indicating that Langstane is operating well within its financial covenants. Stress tests have been conducted, demonstrating the ability to cover voids and bad debts with the existing revolving credit facility (RCF).

Further analysis is needed to determine cash requirements, requiring a more detailed monthly cash plan.

The chair highlighted the director of finance's concluding remarks in the strategy report regarding the concern of securing and servicing debt. The chair acknowledged the significance of this decision for board members in determining future investment opportunities.

T. Dinozzi asked about the assumed interest rates for the next five years in the cash flow forecast. The interest rate is nearly 6% for the 15 million RCF, with a base plus 0.9 margin. The fixed rate was last negotiated in 2013. It is possible to explore other options, such as Santander and

Lloyds bank, but a request for a statement, possible valuation and break clause would be necessary. T Dinozzi suggested it may be advantageous to look at negotiating the fixed interest rates once they start to decline.

T Dinozzi asked about the possibility of extending the RCF to repay long-term debt and maintain spending on current properties. The director of finance confirmed there is a net cash deficit forecasted for the current financial year, with a decrease in cash reserves despite the availability of funds in the bank and the option to use the RCF for additional liquidity if necessary.

On discussing hybrid funding, grants and private investment, the director confirmed there are potential cost savings and opportunities for maximising revenue that could be further explored. Identifying areas to increase revenue and effectively utilising existing funds to improve financial outcomes.

In response to a question posed by T Dinozzi, the chief executive confirmed Langstane initiated a £5 million efficiency agenda in 2018, followed by a staffing structure and job evaluation review in 2020/21. Major contracts are regularly retendered to reduce costs although procurement legislation can add bureaucracy and strain staffing resources, potentially hindering savings. In response, T Dinozzi proposed a review of the current staffing structure within the next six months to identify potential areas of cost reduction.

Action: Detailed action plans for the business plan and asset management strategy will be implemented for the first year and annually thereafter.

Decision: In conclusion the chair proposed broadly accepting the draft business plan and asset management strategy presented. It is recommended to strengthen the narrative to account for the provisional nature of the data due to uncertainty regarding the Scottish Government's net zero policy. Thereafter the board will consider the position prior to committing to longer term resources.

Action plans outlined in each section should be reviewed and potentially revised to clarify expected actions for the coming year. Specifically, a discussion was held regarding marginal and difficult properties, with a plan to finalise proposals for potential sale, demolition or refurbishment in the coming months. Decisions regarding non-renewal of leases for certain properties will need to be made, while focusing on improving energy efficiency and refurbishing selected properties. It is advised to prioritise low-hanging fruit properties that are popular and less problematic to upgrade. Identifying and starting work on these properties will be crucial to kickstart the initial program.

Action plans should be refined to provide targets for achievement in the first year with a broader scope for years 2, 3, 4, and 5.

The chair recommended evaluating future project resources ensuring the Association maintained £3 million in reserves.

Decision: The board granted delegated authority to the chair and vice-chair to approve any necessary amendments to the 5-year financial plans in the

event revisions are needed. The plans must be submitted to the regulator no later than May 31, 2024.

5. Draft minute – board of management – 8 February 2024

Decision: The minute of the previous meeting was approved as an accurate record.

5.1 Matters arising

5.1.1 – 13.1 Board member's stepping down

Contrary to the previous meeting minute, the chair announced that G Urquhart will remain a member of the board of management until the next annual general meeting in September 2024. Despite potential scheduling conflicts, her presence provides reassurance in her availability for communication when necessary.

6. Statement of outstanding business

Decision: The board reviewed and noted the statement of outstanding business.

7. Corporate document review report

7.3 Long term funding strategy

The decisions made at agenda items 7.1, 7.2, and 8.3 during today's meeting will shape the updates to the long-term funding strategy.

7.4 Health and safety policy

Following the recent tenant rent consultation process, a large volume of feedback was received from tenants regarding their properties. J Fraser inquired whether the property team had the opportunity to review these comments and address any matters identified. The director of property assured board members the allocation of tasks to property officers has been completed and the property team has been meeting twice weekly to address all comments, primarily focusing on high-priority issues. It was agreed that board members would continue to have an invitation to attend health and safety meetings, and this should be reflected in the policy.

Action: Section 5 will be revised to clarify that board members have the option to attend internal health and safety meetings, with no obligation to do so.

Action: A report updating on tenant comments following the recent tenant consultation will be presented at the next appropriate board meeting.

Decision: The board of management approved the health and safety policy subject to the proposed amendments.

8. Financial information

8.1 Financial report to 28 February

The director of finance has confirmed that the external audit, conducted by RSM, is scheduled to commence in May 2024.

Action: The director of finance and corporate services will update the financial report in response to discrepancies reported in the cash flow and component spend.

Decision: The board of management noted the financial report to 28 February.

8.2 Financial Report to 31 January

Decision: The board of management noted the financial report to 31 January.

9. Langstane annual review report 2024

The chair expressed gratitude to all attendees for their participation in the governing body's annual reviews. The report aimed to provide a summary of the meetings and actionable recommendations for the leadership team to consider.

Decision The leadership team will advance the recommendations outlined in the report and will follow-up with proposals.

10. CEO update report – Redactions

The board noted the previously circulated CEO report which covered updates on the following:

- The Scottish Housing Regulator (SHR) has issued their engagement plans, and Langstane Housing Association has no additional information to provide. New Regulatory guidance has been issued and is effective from 1 April 2024
- The property team has confirmed the absence of Reinforced Autoclaved Aerated Concrete (RAAC) within Langstane's stock.
- Decision making was carried out under delegated power, with changes to the hybrid working policy, family leave and pay policy and flexible working request policy aligning with employment law changes.
- The leadership team will be participating in a trial of a 9-day fortnight (foregoing the existing flexible working scheme).

11. Changing face of social housing

Once end of year figures are verified the chief executive will distribute the above report to board members and it will be added to the June meeting agenda for discussion.

12. Rent and service charge update – Redactions

The director of housing informed the board that a comprehensive review of charges, with a specific emphasis on service charges, has been completed. In addressing J Fraser's concerns, the director confirmed that all furniture gifted to tenants is regularly PAT tested, and it is the responsibility of the tenants to maintain and care for the products.

13. Phoenix futures

Decision: The board of management approved the three recommendations set out in the phoenix future report, namely to:

- allocate a maximum of eight properties to phoenix futures.

- *note the Association's solicitors will be consulted in relation to the lease.*
- *note the Scottish Housing Regulator will be advised of the disposal.*

14. Quarter 4, Reports:

14.1 Signings report

Decision: The board of management noted the signings report for quarter 4.

14.2 PR, communications and social media

Decision: The board of management noted the communications and social media report for quarter 4.

15. Draft minutes of committees

15.1 Joint audit and governance committee – 6 February 2024

Decision: The board of management noted the minute of the Joint audit and governance committee – 6 February 2024

15.2 Board of Management – Langstane Property Limited – 8 February 2024

Decision: The board of management noted the minute of the Board of Management – Langstane Property Limited – 8 February 2024

15.3 Performance committee – 5 March 2024

Decision: The board of management noted the minute of the Performance committee – 5 March 2024

16. AOCB

There were no items for discussion.

17. Date of next meeting

Thursday, 13 June 2024