

Minute of the Virtual Meeting of the Board of Management of Langstane Housing Association Limited held on Wednesday 16 February 2022 at 12.30pm

Present: J Knowles, Chair
J Fraser,
J Drummond
J Greener
I Jamieson

In Attendance: H Gauld, Chief Executive
M Ballance, Director of Property
L Macfarlan, Director of Finance and Corporate Services
J Sutherland, Director of Housing
A Bruce, PA to Chief Executive (Minutes)

Apologies: A Habib
M Keith
M Martin
G Urquhart
A Stevenson

J Greener was not present at the start of the meeting but joined at 1.15pm.

1. Apologies

The apologies noted above were intimated to the meeting.

2. Declaration(s) of Interest

There were no notes or declarations of interest.

3. Draft Minute – Board of Management – 15 December 2021

The Minute was approved as an accurate record.

3.1 Matters Arising

There were no matters arising.

4. Statement of Outstanding Business

The Board considered the Statement noting the majority of items were for future dates. Following an update on Items 2, 3, 4 and 5 the Board noted the statement.

5. Financial Reports

5.1 To 30 November 2021

The Board had noted the reports and agreed to review the more up to date reports presented under Item 5.2.

5.2 To 31 December 2021

The Director of Finance and Corporate Services spoke to the report drawing attention to the commentary which summarised the key areas affecting the Association's financial position. These included amongst others the higher than forecast surplus due, in the main, to delayed spend in cyclical and major repairs and component replacement delays.

The Director highlighted the cash balance and assured members the Association was fully compliant with its Treasury Management Policy and all loan covenants were being comfortably met.

The Board noted the financial reports.

6. Draft Budget 2022–23

6.1 Proposed Rent Increase Consultation Results

The Director of Housing spoke to the report which summarised the responses to the tenant consultation exercise on the proposed 2022-23 rent increase. Attached, as appendices 1, 2 and 3 were the comments received by tenants to each of the consultations. The Director highlighted that where tenants had reported any financial issues, asked for assistance or highlighted any other issues and had provided their name and address they would be contacted and provided with the appropriate assistance.

The consultations had been carried out via a number of mediums which included hard copy, email, Survey Monkey, Facebook and the website. A number of negative comments had been posted on Facebook. In response, the Association had produced a YouTube video answering tenants' questions in a 'Frequently Asked Questions' format. The video had been positively received, attracting 101 views.

The Board was reminded that due to the proposal to apply variable increases based on size and location of the property, three separate consultations had been carried out. These were as follows:

- (1) One bedroom and bedsits in Aberdeen;
- (2) One bedroom and bedsits in Aberdeenshire and Moray and two bedroom homes in all locations and
- (3) Three, four and five bedroom homes in all locations.

In each of the consultations, tenants overwhelmingly favoured the lowest of the proposed increases.

Having noted the report, the Board agreed to take the consultation feedback into consideration when it discussed the Budget under Item 6.2.

6.2 Budget 2022-23 Langstane Housing Association

The Board considered the budget report and attached appendices (Schedules 1-15) which provided analysis, supporting information and stress testing scenarios. Speaking to the report, the Director of Finance and Corporate Services drew attention to two corrections. The first being the information contained within the Executive Summary in respect of the proposed rent for one bedroom homes and bedsits in Aberdeen City which should have read 1.7% and not 0.7%. The second being the

second paragraph of “maintenance costs” under Item 2.2. The first paragraph should read *“A margin of 1% over CPI has been added for 2023, 3.5% for 2023-24 and then 3%*”

The Director reminded the meeting the draft budget had been approved on 15 December 2021 and had been informed by figures as at 31 October 2021. The draft Budget had been approved subject to a further meeting of the Chair, Vice Chair and Leadership Team to discuss the proposed rent increases. This meeting had taken place on 20 December 2021 and under delegated authority the Chair and Vice Chair had approved the rent increases used in the consultation exercise.

The Budget presented today had undergone some changes with the opening balance being based on the actual figures to 31 December 2021 and on the updated assumptions set out in Schedule 2. The risks remain unchanged i.e. voids, rate of inflation, the outcome of the refinancing of the Revolving Credit Facility (RCF), supply chain challenges and the ever increasing cost of compliance. The Director reported the 30 year plan is sustainable but susceptible to risk. However the risks, as far as possible, are being mitigated.

The Board noted there were a number of unknowns which would affect the 30 year plan e.g. the Association had yet to fully consider its strategic direction, the implications of Housing to 2040, and the refinancing of the RCF. Therefore the plan would be subject to further change as these are understood / realised. It was suggested therefore that discussions on the strategic direction take place as soon as practical.

The Board having considered the report and accompanying schedules approved the Budget 2022-23 as presented.

6.3 Budget 2022-23 Langstane Property Limited

The Director of Finance and Corporate Services spoke to the report drawing Board attention to the loss made by Langstane Property Limited (LPL) in the previous financial year and the forecasted loss for the current financial year. This being the case the LPL Board had tasked the Leadership Team to investigate ways in which to mitigate future losses. In doing so, the Leadership Team had reviewed the agreements between the two entities and established LPL had repairing obligations that were not reflected within the lease charge. It was agreed a small reduction in the lease charge from Langstane Housing Association (LHA) to LPL would improve LPL’s financial situation and recognise the responsibilities held by LPL. The LPL Board, taking into consideration that a precedent had already been established in that LHA reduce lease charges on Shared Ownership properties, agreed a proposal to reduce the lease charge by 10% would be put before the LHA Board. The lease charge would continue to be subject to an annual review.

Brief discussion ensued on the effect any reduction would have on LHA’s financial position. In this regard, the Director of Finance and Corporate Services informed the Board there would be a small impact. However as any profit made by LPL is returned to LHA in the form of a gift aid donation there would be no material affect on LHA’s financial position.

Having noted the Budget report presented and the information provided in the Director’s verbal report, the Board approved the proposal to reduce the lease charges to LPL by 10% below an equivalent social rent charge for this and future financial

years. As such the Budgets of both organisations would be restated as at 31 March 2022 to reflect the change to the lease charges.

7. Chief Executive's Update Report

Speaking to each of the items within the report, the Chief Executive drew particular attention to the information provided regarding the RCF, the update on the modernisation programme, the revaluation of secured properties, the dissolution of Stockethill Homes Limited, the outcome of the recent internal audit tender and the progress of the stock condition survey.

In respect of the information provided with regard to the Governing Body annual reviews, the Chief Executive reported arrangements would be put in place to facilitate the meetings requested, namely a meeting of the Board of Management Chairs and Conveners and a meeting of the Board, Leadership and Management Teams. With regard to the training and development plan, this would be advanced.

The Board noted the report.

8. Corporate Document Review Report

The Board noted the covering report which summarised the changes to the corporate documents presented under Items 8.1 to 8.4.

8.1 Treasury Management Policy V4

The Board had considered the policy which had been made available to view in the Board Portal. Having noted the minor changes detailed in the covering report, members approved the Treasury Management Policy V4 as presented.

8.2 Annual Planning Calendar

The Board had considered the Annual Planning Calendar which had been made available to view in the Board Portal. The calendar provided comprehensive detail of the reporting requirements for internal / Board and Committee meetings and the legislative and regulatory obligations of the Association for 2022. The Board approved the calendar as presented.

8.3 Funding Strategy 2022-23

The Board had considered the Strategy which had been available to view in the Board Portal. The Director of Finance and Corporate Services reported the Strategy had taken a consistent approach over the last few years and would continue to do so in the coming year.

The Board approved the Funding Strategy 2022-23.

8.4 Langstane's Environmental, Social and Governance (ESG) Statement

The Board considered the Statement. Speaking to it, the Chief Executive reported lenders were increasingly looking to demonstrate their commitment towards improved environmental, social and governance responsible practices and using their position to influence and improve the working practices of the organisations with whom they work. As such, there are lenders offering incentives in the form of more advantageous interest rates to housing associations with a strong ESG statement.

To demonstrate Langstane's commitment to improve its working practices it will use the SFHA's Sustainability Reporting Standard which is divided into twelve ESG themes; themes being either 'core' or 'enhanced'. The initial focus will be on demonstrating the 'core' standards with a view to introducing 'enhanced' reporting in a structured way which will be facilitated by the introduction of new software packages.

The Board approved the ESG Statement as presented.

9. Business Plan 2020- 25, Internal Management Plan

The Board considered and noted the Quarter 3 updates to the Internal Management Plan.

10. Strategic Risk Register, Quarter 3, 2021-22

The Board noted the Quarter 3 Register which had been approved by the Joint Audit and Governance Committee the previous day. The Committee had agreed that going forward, reporting would focus on the highest risks to the Association.

11. Strategic Direction Development Activities at Langstane 2022 Onwards – Project Brief

The Board considered the brief which detailed the objectives, outcomes, scope and timeline of the project which would be used to inform the Association's strategic direction, in particular whether it should resume development activities and at what point in time this should be undertaken.

The Chief Executive reported on the preliminary discussions held with regards to a potential suitable candidate to manage the project, their availability and consultancy fees. In respect of the latter, the cost is as yet unknown and depending on the value, the Association may have to go out to tender.

The roles and responsibilities of the Leadership Team and consultant were provided within the brief. In order to fully understand the current, medium and long term challenges the Association face, the Leadership Team would provide relevant information to assist this piece of work. For example, information on housing need and demand, current stock, expectations of current and future tenants. It would be the consultant's responsibility to validate the information and having taken into consideration associated risks make a recommendation on the Association's strategic direction.

The Board noted the timeline for the final report being the 16 November 2022 but suggested that given the critical nature of the decision to be made, it would be important to have a strategy away day before this to ensure due consideration is given to the Association's future direction.

Having considered the report and giving cognisance to the timelines, it was agreed that once the consultancy fees are known and should there be no requirement to go out to tender, delegated authority be given to the Chair and Vice Chair to approve the appointment of the consultant currently identified to manage the project.

The Board approved the project brief as presented.

12. Revised 2022 Board / Committee Meeting Schedule

The Board noted the change to the meeting schedule, namely the removal of the People Committee meeting which had, in error, been scheduled to take place in December 2022. The Board approved the updated schedule.

13. Covid-19 Report

The Board noted the update report which provided a summary of the impact of Covid restrictions on areas of operation across the organisation.

14. Draft Minutes

14.1 Performance Committee - 1 February 2022

The Board had considered and noted the Minute which had been available to view in the Board Portal.

15. Quarter 3 Reports, 2021-22

15.1. Signings Report

The Board had considered and noted the report which provided a summary of information in relation to all signings, leases and disposals added to the relevant registers in Quarter 3, 2021-22. The report had been available to view in the Board Portal.

16. AOCB

Invoice Tolerances

The Director of Property reported that as part of the modernisation programme and the resultant changes to responsibility for raising works orders and invoicing, a review of response repairs invoicing had been carried out. The review had ascertained that due to the unpredictable nature of reactive repairs, the lower value (up to £500) works orders raised did not always match the invoices received. Meaning every non matched works order needs to be manually amended to reflect the true cost. This manual intervention is labour intensive and it was felt prudent to consider introducing a tolerance level to the housing management system to reduce the administrative burden. A variety of tolerances had been tested which had shown there to be very little difference between those works orders with and those without and a tolerance level agreed at + / - £25.00.

The Board approved the proposal to introduce a tolerance of + / - £25.00 on lower value works orders up to £500.00. The Board, noting the Financial Regulations would need to be updated to reflect the introduction of tolerances, agreed the document could be updated without the need for it to be brought back to the Board for approval.

17. Date of Next Meeting

20 April 2022.