

Minute of the Meeting of the Board of Management of Langstane Housing Association Limited held on Monday 17 June 2019 at 680 King Street, Aberdeen AB24 1SL at 7.00pm

Present: J Knowles, Chair
J Fraser
J Greener
C Lynch
J Marshall
M Martin
R Stewart
S Stephenson

In Attendance: A Stevenson (potential board member)
H Gauld, Chief Executive
M Ballance, Director of Asset Management
J Sutherland, Director of Housing and Social Justice
E Tamanis, Financial Consultant, Campbell Tickell
A Bruce, PA to the Chief Executive (Minutes)

Apologies: J Drummond
K Hutchens
I Jamieson
K McIntosh

J Knowles, Chair, welcomed A Stevenson who was attending the meeting as a prospective Board member.

1. Apologies

The apologies noted above were intimated to the meeting.

2. Declaration(s) of Interest

There were no declarations of interest.

3. Draft Minute of Board of Management Meeting held on 20 May 2019

The Board approved the Minute of the meeting held on 20 May 2019 as an accurate record.

4. Matters Arising

There were no matters arising.

5. Draft Minute of Governance and Financial Management Recovery Committee Meeting held on 20 May 2019

The Board noted the Minute of the Governance and Financial Management Committee held on 20 May 2019.

6. Statement of Outstanding Business

The Board reviewed and noted the Statement of Outstanding Business. Noting in particular items which had been completed and items which would be presented to the Board on 15 July 2019.

Arising from the discussion, J Knowles informed the meeting Item 16 on the agenda, Remuneration Policy, would be the last order of business to be discussed. Due to the conflict of interest, the Senior Management Team would be asked to leave the meeting in order for the Board to discuss the item in private.

7. Projections and Assumptions Returns (30 and 5 year)

E Tamanis, Financial Consultant, spoke to the report stating the anticipated savings shown on page 5 of the report will be changed to match the 5 and 30 year projections.

30 year projections were approved on 25 March 2019 as part of the budget setting process. However these have changed with all changes shown in the body of the report. A number of scenario tests were carried out to identify the breaking point. The highest risk being attached to voids, bad debt and maintenance. The Chief Executive and E Tamanis will carry out further analysis and develop a menu of options for mitigation actions, assigning values and timescales for achievement.

Lengthy discussion on the assumptions and level of potential efficiencies took place. The Board approved the revised 5 and 30-year projections and agreed the 2019-20 budget should be restated and brought before the Board again to consider.

To strengthen the Association's financial position the revised projections incorporate the following amendments from previous projections:

- Real rental inflation reduced to CPI plus 0.5% for 5 years, thereafter at CPI only;
- No further draw down of funds from the revolving credit facility, future plans will only include additional borrowing for specific projects that can demonstrate a positive impact on the Association's long term position;
- An assumed refinancing of the revolving credit facility to a longer term date, although the preferred option to convert this to a fully amortising debt with a longer term will be explored. Any proposed changes will be submitted to the Board of Management for approval;
- Efficiencies to achieve a balanced position where expenditure does not exceed income in any year and our cash balance is maintained at no less than £1.5m. Any specific efficiencies identified will be brought before the Board of Management and if appropriate, approval sought for their implementation.

The Board further approved the submission of the projections and the covering report to the Scottish Housing Regulator by 30 June 2019. Noting also the

projections would, as per previous years, be provided to the Association's lenders and auditors if requested.

8. Loan Portfolio Annual Return

The Board reviewed the Annual Loan Portfolio Return and accompanying report, noting there were no significant issues. The approved the return and its online submission to the Scottish Housing Regulator.

9. Annual Treasury Plan (Funding Strategy) and Treasury Report

E Tamanis informed the meeting that in accordance with the Treasury Management Policy, the Association requires to produce an Annual Treasury Plan (funding strategy) prior to the start of the financial year with six monthly updates. An annual Treasury Management report is also required; one immediately after year end and one mid year. Due to the revised 30-year projections, the report presented combined the two. E Tamanis highlighted page 2 of the report which stated that in 2019-2020 there would be no further draw down of funds.

After lengthy discussion, the Board approved the Annual Treasury Plan and Treasury Report.

10. Financial Report to 31 May 2019

The Board reviewed and noted the Financial Report to 31 May 2019. E Tamanis highlighted response repairs expenditure was £70k over budget and would require further analysis. The Director of Housing and Social Justice confirmed this had been looked at in detail and would be brought back in line with budget by the end of June.

The Board noted in particular the cash flow information and that all loan covenants are currently being met and all reporting requirements adhered to.

The Chief Executive drew Board attention to Page 6 of the report, line K3 and advised that this had been changed since the last report, which had stated the loan was for the Association's office at 680 King Street, when in fact it was for the YWCA office, Aberdeen. The outstanding loan balances had also been updated following updates received.

11. Pensions Report

The Board considered the report which highlighted the appointment of XPS to undertake a full review of existing pension scheme options.

The way the Association must account for defined benefit pension schemes under FRS102 accounting guidance will be complete before the end of year accounts are presented to Audit Committee in August. It was not anticipated the changes would materially affect covenant compliance.

The Board noted the report.

12. Write-off Report

The Board considered the report and appendix detailing the write-off of former tenant debt over £1,000; noting in particular the information provided on the high level of debt for rent account 52940.

An in-depth analysis of debt will be presented to the Board on 15 July 2019.

The Board approved the write-off of former tenant debt in the sum of £41,919.38.

13. Progress Report and Draft Accounts as prepared by the Auditor

The Board noted Alexander Sloan, the Association's external auditor, had been on-site week commencing 3 June 2019 and was carrying out a detailed review of the Association's accounts. Nothing of note was highlighted to the Association prior to their leaving site.

14. Chief Executive's Update Report

The Chief Executive's update report was presented. The Board noted and approved that following final checks and validation, changes to the Annual Return on the Charter were made.

In addition, the Board approved:

- (a) The commercial let of the property at Deans Court, Kintore, detailed under Item 4 in the report;
- (b) Under Item 7, the assignation of the Minute of Agreement between the Association and Stockethill Homes Ltd to Langstane Property Ltd, and
- (c) Three individual leases between the Association and Stockethill for Marischal Street, Castleton Lane and Copper Beech, Aberdeen to be assigned to Langstane Property Ltd.

15. Governance and Financial Management Recovery Committee Update

The Board considered and noted the report which provided an update on a number of items including updates to the Scottish Housing Regulator and the post of Director of Finance and Corporate Services.

The Scottish Housing Regulator suggested during a call the Recovery Action Plan would normally detail how any failings relate to specific regulatory standards. This will be picked up in future updates of the plan if required as a further self assessment will be carried out.

16. Remuneration Policy

This item would be taken at the end of the meeting.

17. Review of Standing Orders

The Board considered and approved changes to the Standing Orders, all of which were shown highlighted in red.

18. Review of the Business Plan / Internal Management Plan

The Board considered the proposed changes to the Business Plan, all of which were highlighted in red. Referring to page 34 of the Plan, the Chief Executive reported that all of the information highlighted in yellow would be populated with information from the updated 30-year projections, as well as any further information arising from the Board Away Day which would take place on 20 June 2019.

The Chief Executive sought clarity from the Board on the section detailing the development programme. Arising from this, it was queried whether the Association's land bank and its associated value had been included in the assumptions. E Tamanis highlighted the Association will be working on its reconciliation of assets and will check whether or not these are included.

Following further discussion, the Board approved the proposed amendments to the Business Plan and noted progress on the Internal Management Plan.

19. End of Year Report

The Board noted the End of Year Report which provided a summary of information on titles, data protection, subject access requests, breach of data protection, training, statement of assurance, and on the information contained in the Association's registers.

20. Entitlements, Payments and Benefits Request

Having noted no benefit had been received through their connection with Langstane, there was no involvement by the relevant person in the allocation process, and the property size and type is suitable for the relevant person and their family, the Board approved the Entitlements Payments and Benefits request to allocate a vacant property in the city centre to the relevant person. The allocation would be recorded in the relevant Association Register.

21. AOCB

Following suggested changes to the Strategic Risk Register which were supported by Audit Committee, an updated Risk Management Policy will be presented for consideration. This will be brought back to a future meeting.

22. Date of Next Meeting

Date of next meeting - 15 July 2019 at 7.00pm.

The Senior Management Team left the meeting.

16. Remuneration Policy

J Knowles reminded members that in keeping with the Scottish Housing Regulator's Recommended Practice for RSL and Senior Officer Remuneration, the Association must have in place a formal and transparent Remuneration Policy for the Chief Executive and the Senior Management Team. In doing so it would also need to consider whether it was appropriate to establish a Remuneration Committee to review senior officer's remuneration on a regular basis.

Lengthy discussion ensued which included suggestions of three suitable consultants who could provide expert advice. The Board agreed J Knowles would make contact with one of the consultants mentioned and further agreed a Remuneration Committee would be established which would be serviced by the HR Manager.

A Remuneration Policy would be brought back to a future meeting.