

Minute of the Meeting of the Board of Management of Langstane Housing Association Limited held on Monday 24 February 2020 at 680 King Street, Aberdeen AB24 1SL

Present: J Knowles, Chair
J Fraser
K Hutchens
J Marshall
A Stevenson

In Attendance: H Gauld, Chief Executive
M Ballance, Director of Asset Management
L Macfarlan, Director of Finance and Corporate Services
J Sutherland, Director of Housing and Social Justice
L West, Executive Resource Consultant
A Bruce, PA to the Chief Executive

Apologies: J Greener
I Jamieson
C Lynch
M Martin

1. Apologies

The apologies noted above were intimated to the Board.

2. Declaration(s) of Interest

K Hutchens noted an interest in Items 9 and 11.

3. Draft Minute of the Board of Management Meeting of Langstane Housing Association Limited held on 20 January 2020.

The Minute was approved as an accurate record.

4. Matters Arising

4.1 4.1 Mid Year Financial Review

The meeting was informed K Stewart MSP had, as yet, not responded to the Association's letter raising concerns about Universal Credit.

4.2 4.2 Disposal

The Director of Asset Management provided the Board with an update on the progress of 17 Granton Place, Aberdeen, the sale of which should, subject to planning permission, be completed by the end April 2020. A full report would be presented to the Board once the outcome of the planning application is known. With regard to the sale of 69-71 Crown Street, Aberdeen, it was reported there have been a number of viewings however the feedback suggests it is too expensive for a development project.

4.3 4.3 – Mid Year Treasury Management Review 2019-20

K Hutchens queried the process for the Board seeking independent legal advice. In response the Chief Executive advised that other than the Audit Committee, who can approach both the internal and external auditors directly, any contact with the Association's legal firms would be via the Chair and Chief Executive.

4.4 7 – Financial Reports to 31 December

The Director of Finance and Corporate Services reported that as the Association is currently considering repaying the loan from Scottish Homes used to purchase the Young Women's Christian Association (YWCA) it would be prudent to hold off opening a further bank account until the end of the financial year.

4.5 10 – Chief Executive's Update Report

3. Arrangements to convene a meeting of the Governance and Financial Management Committee had still to be finalised.
4. The Chief Executive reported the consultation with staff regarding the pension closes on 25 March 2020.
5. The SFHA had not provided an update on its independent review of regulation by the Scottish Housing Regulator.

4.6 15 – Virtual Meetings and Delegated Decision Making Guide

K Hutchens intimated he would be interested to see what had been added to the guide in terms of telephone / video conferencing. It was noted this was detailed under Item 12 on the Agenda.

4.7 19 – AOCB – The Gathering

K Hutchens provided the meeting with a brief report on his attendance at The Gathering. Having discussed with representatives of the SCVO (Scottish Voluntary Services Organisation), the Scottish Government and OSCR (Office of the Scottish Charity Regulator) some of the work the Association has carried out in respect of diversity and the support it provides to individuals it would be his suggestion, the Association consider submitting good news stories / case studies to the Third Force News in future.

5. Draft Minute of Board of Management Meeting of Langstane Property Limited held on 20 January 2020

Following brief discussion on Item 9, noting the targets form part of the performance framework and Item 10, noting no response had been received to letters issued to tenants to gauge their interest in a tenant group, the Board noted the draft Minute.

6. Draft Minute of the Health and Safety Working Group held on 22 January 2020

Following discussion on Items 5(a), 6(b) (ii), (iii) and (iv) and 8 the Board noted the Minute.

In respect of Item 5(a) it was suggested the Minute should record work on the Health and Safety Manual would be picked by another member of staff in the absence of the HR Manager. And further suggested Item 6(b)(iv) should be amended to reflect the replacement doors which are not fire doors are a temporary measure and would be replaced by fire doors as soon as possible.

7. Statement of Outstanding Business

The Board noted the Statement.

8. Financial Reports to 31 January 2020

The Director of Finance and Corporate Services spoke to the report highlighting the positive variance to date of £721,223; looking ahead to year end and assuming spend would be incurred as planned, the anticipated outturn should be a positive variance of £554,223. The Director further reported all covenants have been met in full, no treasury management issues are anticipated between now and year end and the Association has made efficiency savings over and above those already identified. Budget costs will continue to be closely monitored until year end.

Responding to K Hutchens' query as to whether any of the efficiency savings would impact on service delivery, the Chief Executive assured the Board the Association has been very careful to ensure service delivery is not adversely affected.

It was highlighted the Department of Work and Pensions is not accepting bulk notification of rent increases from housing associations, meaning tenants are responsible for updating their own journals. This presents the Association with a challenge however as was the case last year, Association staff are ready to provide support and assistance to tenants. This will involve making contact by phone and arranging meetings with individuals as required to provide the necessary assistance.

K Hutchens reported he was aware the SFHA are actively lobbying on welfare reform but suggested it may be worthwhile contacting local MPs / MSPs to highlight the challenges faced by the Association with regard to Universal Credit. The Director of Housing and Social Justice reminded the meeting the Association had already contacted Kevin Stewart MSP with no response but agreed to make contact with other local parliamentary members.

The Board noted the report acknowledging the good work carried out by the Rent Management Team in collecting rents despite the challenges of Universal Credit.

9. Proposed Rent Increase Consultation Results

The Board was reminded it had unanimously approved the proposed rent increase of 2.1% via email on Monday 17 February 2020. The rent increase process had been particularly complex this year due to the rent restructure but letters are on track to be issued to tenants by the end of the month.

Following email exchanges between the Director of Housing and Social Justice and K Hutchens the Association had taken on board his comments on the rent increase / restructure and updated the information provided to tenants on the website. K Hutchens reported that although the email exchanges had been useful it would be his suggestion a conference call would have been more beneficial.

It was noted the rent increase consultation had been issued prior to the Christmas break and as a result the consultation period had been relatively short. A longer consultation period would be undertaken for the 2021-22 rent increase.

10. Cost of Living Increase 2020-21

The Director of Finance and Corporate Services provided the Board with a verbal update on the status of negotiations with the Unite Union in respect of the cost of living increase. Further updates will be provided once negotiations have been finalised.

11. Draft Budget 2020-21

11.1 30 Year Projections

The Board considered Item 11 Draft Budget 2020-21 and appendices and the 30 Year Projections attached as Item 11.1. Speaking to the report, the Director of Finance and Corporate Services clarified the information contained in the third paragraph regarding the proposed rent increase. Referring to the table on Page 4, the meeting was advised the Year 5 required savings should read £1,061k and the total for both the required and accelerated savings should be £4,966k.

The Director reported the Plan, although predicated on a number of key risks shows a sustainable financial position over the 30 year period. The Director drew Board attention to the key areas of risks detailed on Page 1 and to Item 4 on Page 6 of the report which detailed the stress testing scenarios carried out to determine the key areas of risk; a summary report attached as Appendix 3 to the report provided further detail on the scenarios which would result in a breach and when the breach would occur. The stress testing illustrated the Association is particularly susceptible should it fail to sell the properties identified as no longer fit for purpose, to high levels of voids and bad debts and to maintenance inflation.

Lengthy discussion ensued on the mitigation required should the Association not achieve the required efficiencies through the sale of the properties.

Although there had been interest in Crown Street and the Spital in Aberdeen and King Street, Peterhead it was agreed it would be prudent to put in place a Plan B should they not sell. It was noted the Senior Management Team had already begun work on this.

The Director further highlighted the scenarios which showed positive results for the Association's financial position i.e. rent increase of CPI + 1% would result in a £92m increase in surplus over the period 2021 to 2050 and a reduction in voids to 1.25% and bad debts to 2.5% would see a £4m increase in surplus in 2021 -2050.

It was highlighted that both the Association's valuers JLL and Arneil Johnston had raised concern about the tight margin resulting from rent increases of CPI only which could potentially see a reduction in the value of our stock as we are deemed not to have funds to spend on maintaining our portfolio. This will be countered by a full stock condition survey.

There was brief discussion on the process the Association would now follow to ensure it would be ready to go back out to the market for additional funding.

The Board having considered the report and 30 year financial plan, taking cognisance of the assumptions made and the risks identified, approved the 30 year financial plan noting that in order for the plan to be sustainable, the Association need to (a) sell the properties identified, (b) make no further draw downs of funds, (c) refinance the revolving credit facility to a longer term date, (d) achieve efficiencies and (e) review its Rent Policy approved the 30 year plan presented.

12. Policy and Strategy Review

12.1 Treasury Management Policy V2

The Board, noting the changes made to the Policy which included minor updates in reference to the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes, all references to the Annual Treasury Plan had been changed to Funding Strategy and additional wording inserted into 3.3.4 Proportion of Total Debt to be Protected, approved the Treasury Management Policy V2 which had been circulated by email.

12.2 Funding Strategy 2020-21

Noting there were no changes to the Strategy other than inclusion of the financial information for 2020-21 and beyond, the Board approved the Funding Strategy 2020-21 presented.

It was noted the Association has contacted the Scottish Government regarding the possibility of repaying the Scottish Homes loan used to purchase the YWCA and its response is awaited. Once this has been confirmed, a full report would be presented to the Board. There was brief discussion and agreement the loan should be repaid.

12.3 Procurement Strategy 2019-23

Noting changes had been made to the action plan only and following brief discussion on engagement with tenants and the implications of Brexit on procurement legislation, the Board approved the Procurement Strategy 2019-2023 subject to an amendment to the date of the Business Plan on Page 4 of the document and a suggestion that future strategy reviews should included detail of the changes made in the table on Page 2.

13. Chief Executive's Update Report

The Chief Executive provided further updates on Items 1, 2, 3, 6 and 11. The following items were also discussed:

6. The SFHA guidance on the Model Rules would be brought back to a future meeting.
10. The Director of Housing and Social Justice agreed to carry out an analysis of the geographical spread of tenants on the Register of Interested Tenants.
7. Following lengthy discussion on Item 7, having discussed the merits of a portal to both Board and staff, the Board approved the purchase of the Admincontrol Board portal noting this would be the preferred method of circulating Board and Committee papers in future. Training would be provided to all Board members prior to the portal being introduced. The portal would be trialled for a period of one year and reviewed thereafter. K Hutchens advised he would like to discuss, separately with the Chair, his specific issues with regard to equalities.

Arising from the discussion the Chief Executive reported the Senior Management Team would be reviewing its report writing to provide the Board with as much information in the Executive Summary as possible providing appendices to verify the information. The Board agreed this would be beneficial.

8. The proposal to change the timing of Board meetings was approved; future meetings would take place at 12.30pm. An updated meeting schedule would be circulated as soon as practical.

14. Performance Framework

The Board considered the Performance Management Framework "Being the Best We Can Be" and covering report. Speaking to the Framework document, the Director of Housing and Social Justice highlighted the key information, referring in particular to the pyramid reporting on Page 3, and information on the balanced scorecards on Pages 7 and 8.

The Board, noting the plan for implementation, approved the Performance Management Framework subject to the inclusion of information on void loss to be added to the quarterly scorecard shown on Page 8 of the document.

15. 2020 – 2025 Business Plan

The Board considered the Business Plan and accompanying four appendices. Speaking to the Plan, the Chief Executive reminded the meeting the Scottish Housing Regulator had raised significant concerns last year about the Association changing its Business Plan mid year and with regard to it not linking with other key strategic documents. The Plan presented did not represent a significant change in direction and if approved would result in the links to the Business Plan being updated in the Strategic Risk Register. The Register would thereafter be reviewed by the Joint Audit Committee and a summary report on the key risks presented to the Board on a quarterly basis.

There was brief discussion and a suggestion Page 17 should contain reference to local poverty levels, a further suggestion the document include information on how the Association intends to embed tenants' priorities and on the WorkingRite apprenticeship scheme.

Subject to consideration being given to the above suggestions and a correction to the information on Page 3 in respect of the Chair of the Remuneration Committee, the Board approved the 2020-2025 Business Plan presented.

16. Executive Resource Consultant – Business Recovery Plan and Position Statement – Update Report

The Board considered the update report and position statement attached as Appendix 1. Lengthy discussion ensued on the information contained within the statement. The Board acknowledged there were a number of actions still outstanding, some of which may take some time to complete and that following the outcome of the Arneil Johnston report and the Regulator's engagement letter the list of actions may increase. However the general consensus was that a considerable amount of progress had been made and concern was raised that this was not reflected fully in the statement. L West agreed to review the document to ensure it reflected the achievements to date which would include reference to large pieces of work recently carried out on the Senior Management Team KPIs and the rent restructure exercise.

Subject to the amendments suggested above, the Board approved the Position Statement which once complete would be forwarded to the Scottish Housing Regulator.

17. Entitlements, Payments and Benefits Request

The Director of Housing and Social Justice reminded the Board it had approved the request via email on Monday 17 February 2020 and confirmed the property had now been allocated.

18. AOCB

J Knowles reported that the Board would discuss an item at the end of the meeting independent of staff.

19. Date of Next Meeting

The next meeting will take place on 16 March 2020 at 12.30pm. K Hutchens intimated his apologies for both this meeting and the following meeting scheduled to take place on 21 April 2020.

Following brief discussion it was agreed the Governance and Financial Management Recovery Committee would meet on 16 March at 11.30am.

The Senior Management Team, A Bruce and L West left the meeting.

A Bruce re-joined the meeting following the discussion.

Office Bearers signed the Minute of Agreement and Independence Agreement between Langstane Housing Association Limited and Langstane Property Limited.