

MINUTES OF	:	Board of Management Meeting
TIME & DATE HELD	:	14th November 2023
DATE APPROVED	:	12th December 2023

BOARD MEMBERS PRESENT	:	Hugh McIntosh (Chair), Grace Barbour, Brian Barclay, Elizabeth Battersby, Maureen Mulgrew and Janice Saunders
APOLOGIES	:	Rae Connelly, Neil Devlin, Gillian Johnston and Eddie Robertson
STAFF PRESENT	:	Tony Teasdale (CEO) Ola Ajobiewe (Finance Manager) – to item 7
IN ATTENDANCE	:	N/A

1. **Apologies**

Apologies were noted as above.

2. **Declarations of Interest**

There were none.

3. **Minutes for Information:**

The draft minutes of the following meeting were noted:

3.1 East End HDC Board Meeting: 31.10.2023

3.2 Upkeep Board Meeting: 31.10.2023

It was noted that the draft minute of the meeting of the Housing & Community Services Committee that had been held on 07.11.23 would be reported to the next Board meeting. In the meantime the CEO verbally reported back that the sub-committee had considered in detail the rent-setting mechanism that has been in place for all new tenancies since 2015 and its suitability as a basis for harmonising rents across the stock. Some issues had been identified with the current mechanism and it had been agreed that further work would be required to resolve how these should be addressed. Because of this the sub-committee had agreed that it would not now be possible to develop harmonisation proposals for tenant consultation this year.

It was also agreed however that this should be considered a priority for conclusion in 2024/25 and that work on the project should now continue to ensure that momentum is maintained.

4. **Minutes for Approval**

The draft Minute of the Board meeting held on 24th October 2023 was **approved** on a motion from Grace Barbour, seconded by Janice Saunders.

5. Matters Arising Schedule

Item 14: Any other business: The CEO reminded Members that, in accordance with the new Board development Plan, at the end of the last meeting under Any Other Business – and without staff being present - the Chair had invited feedback on the quality of reports received that evening. Subsequent feedback from the Chair to the CEO had usefully highlighted that Members had not found the paper on rent -setting to be easy to understand. To help address this a further report and presentation on the subject had been given to the Housing and Community Services Committee meeting. It was a complicated issue but Members in attendance had confirmed that they had now understood how the current system works.

6. Compliance and Safety Update

Members noted the content of the Compliance & Safety Update Report which confirmed that:

- That there had been no new Notifiable Events reported since the last meeting. The CEO reported that earlier that day the Scottish Housing Regulator (SHR) had confirmed that the Notifiable Event relating to the loan covenant situation had been closed in light of the agreement that had been reached in-principle with RBS.
- The following actions had been taken in relation to statutory or other requirements:
 - The 2023 Annual Assurance Statement had been submitted to SHR and published on our website.
 - The 2023 Annual Performance Report had been published on our website and through social media.
 - The information required of all RSLs by SHR in relation to RAAC (reinforced autoclaved aerated concrete) had been provided. This had reported that we currently have no evidence of RAAC being present in our housing stock.
 - The management Accounts for the period to the end of September had been provided to RBS in accordance with loan covenant requirements.
- That at time the report was issued there had been no significant Health and Safety incidents. However, the CEO was able to update regarding a significant fire-incident at 589 Shettleston Road earlier that day. This had necessitated the urgent evacuation of all residents in that block although everyone had now been able to return home. Due to warnings of a potential chemical-related hazard that whole section of Shettleston Road had been closed off by the emergency services. Members asked for and discussed further details about the incident and about tenancy conditions relating to the storing of dangerous materials within flats. The CEO advised that the Association's Business Continuity Plan had been activated and a post-incident review would be carried out to assess any lessons that might be learned from the incident.

The Chair proposed and it was agreed that the agenda should be slightly re-ordered to allow the Finance report to be taken next.

7. Finance: Quarterly Management Accounts to end of September 2023

It was noted the Director of Finance and Corporate Services was not present at the meeting as she was at the SFHA Finance Conference in Aviemore for the day. In her absence the Finance Manager (FM) presented an overview of the management accounts for the period commencing 1st April 2023 to 30th September 2023.

The FM drew the Board's attention to the surplus of £1,093K made in the first half of the financial year, this surplus gave rise to favourable variance of 319K when compared to a budget of £774K for the same period. The Board noted total actual turnover of £6,107K against a budget of £6,055K, and in the same way total actual operating costs of £4,524K to a budget of £4,714K. It was also noted that net assets rose to £12.138M as of 30th September 2023 from £11.045M at the end of March 2023. The FM explained to the board that adverse variances and comments highlighted on page two of the cover report are in further support of the statement of comprehensive income.

The Board noted the movement in net fixed assets caused by investments in our housing properties and depreciation charge to same properties within the period under review. Also highlighted was increased debtors balance of £1,456K in comparison to the balance of £1,200K at the end of last financial year. The cash balance also rose by £566K in comparison to balance of £1,043K as of 31st March 2023, similarly, total current liabilities went up by £39K in the period under consideration. It was noted that there had been no additional loan draw down within the period. The FM took the Board through the Key Performance Indicators (KPIs) and lender's covenants and noted that all covenants were met in the period to 30th September 2023, also that the management accounts have been forwarded to the bank as required.

While responding to the management accounts report, members queried why the KPIs compared current performance against outturn performance in 2022/23 rather than the targets set in the 2023/24 budget. The FM explained this comparison allowed a comparison with year-on-year performance. It was **agreed however that this should be reviewed with a report back to the Board in due course on potential alternative approaches and the relative merits of these.**

Members noted from the report that, following the Board decision in September to approve the proposed change to our Interest Cover Covenant with RBS, our solicitor had now drafted an Amendment Letter which details the proposed changes. However, in light of some discussion within the sector about the RBS approach to dealing with interest cover issues this had been temporarily put on hold pending a further meeting with our RBS Relationship Manager which had taken place on the 9th November. The CEO gave an update from this meeting.

It had been highlighted to the Bank that:

- We now do not anticipate any breach of the current loan covenant this year and as such there was a less urgent need to enter into a revised agreement.
- We were in the process of updating our Business Plan projections and would like to carry out our own updated assessment of the impact of both the current and the revised interest cover covenant.
- We had also noted the recent SHR report highlighting the need for RSLs to ensure that business plans are able to address future net zero requirements, and that what these requirements are remains uncertain at this point.

In these circumstances we needed to be sure that committing to a significantly higher Interest Cover ratio (up from 100%-110% at present to 175-200% going forward) would not be problematic, even in the context of moving to EBITDA only rather than EBITDA-MRI.

The Bank emphasised that it believed that risk to the Association would actually be reduced as from their assessment we would have significantly higher financial headroom against the Covenants in the years ahead and discussed options.

Staying with the current Covenant terms was one option but obviously meant some continuing uncertainty in the next few years. The Bank suggested that if the revised Covenant was agreed then it would be prepared to extend the period of time (from 3 year to 4 years) that the 175% ratio would apply before moving onto 200% for the remainder of the loan term.

Alternatively we do a short term agreement of 4 years at 175% and then revert to the existing EBITDA-MRI calculation with a 110% threshold. Another option might be to “carve-out” certain types of decarbonisation capital expenditure from the Covenant calculation. It was noted that the Association would probably find it difficult to identify/cost these at this point.

The Board noted this feedback and **agreed that the DFCS give further consideration to these options, in the context of the ongoing update of Business Plan projections, before reporting back with conclusions and recommendations to the Board.**

The Board then **approved the contents of the management report** for period ending 30th September 2023.

The Finance Manager left the meeting at this point.

8. CEO Progress Report

Members noted the content of the report updating on significant issues and developments since the last meeting not covered elsewhere on the agenda. In particular:

- *Staffing update:* Members noted progress with the staff consultation on proposals to amend the Customer and Community Services team structure and the initial feedback received from staff and the union representative. The formal consultation document, enclosed with the report, had not been issued until 6th November following an initial presentation on 1st November. As a result the three-week consultation period would not now complete in time to report the feedback to the Audit and Corporate Committee on 28th November as originally planned. It was now intended that the Board meeting on 12th December would consider the consultation feedback and take final decisions on the way forward.
- *New Energy Adviser post:* The Association had been successful in obtaining funding from the Energy Redress Fund on behalf of both SHA and Tollcross HA to employ an Energy Adviser to work across the two areas on a two-year fixed term contract.
- *2023 Annual Performance Report:* Members noted the content of this year’s Annual Performance Report (APR) which had been issued following sign-off by the Office Bearers as per authority delegated by the Board. It was noted that the Service Improvement Action Plan approved following this year’s Tenant Survey had been enclosed with the APR.
- *Shettleston Community Growing Project:* The Association was continuing to support SCGP’s Board through a transitional period and the CEO was able to update that an important step had just been reached with the appointment of a new Project Co-ordinator who was expected to come into post in January.
- *Scottish Housing Regulator:* Members noted the key findings of SHR’s recent report on the Annual Loan Portfolio Returns received from all RSLs. The report emphasised the importance for RSLs of ensuring that:
 - Business planning assumptions are robust and capable of meeting loan covenant requirements.
 - Maintaining sufficient liquidity and access to funding to deliver the necessary investment in homes, including in relation to the Scottish Government’s plans for net zero carbon.

9. Governance Issues

Members noted the content of the report and following discussion **approved proposals for how the Board should receive training on the various topics that had previously been identified as priorities for the Board as a whole during the year ahead.** This would be through either:

- Short on-line *briefing sessions* delivered roughly monthly. It was **agreed that these should not exceed 30 minutes and that Wednesday lunchtimes would suit most of those present.**
- *Reports to /presentations at normal scheduled Board or sub-committee meetings* where discussion and decisions on topics from the list were already scheduled.
- *Specially organised training events* delivered in-house either by staff or external providers. It was **agreed that a health and safety refresher was a priority** in this regard given that this had not been carried out as planned in the last year.

It was noted that the timetable of such events would be firmed up once the meetings schedule had been agreed for the remainder of the year.

The Board also noted the finalised itinerary for the Strategy Day on Saturday 18th November. Members noted that one of the discussion topics would be “getting the balance right” in its role in looking at strategic and operational issues and that a copy of the recent SFHA guidance with that title could be viewed on Decision Time.

10. Quarterly Performance Reports

Members noted the content of the quarterly report which incorporated the following:

10.1 Delivery Plan Progress Update

Details of progress with each item in the current Delivery Plan at the end of October. Overall only 52% of the items due for action by this point had been completed but another 45% had been substantially progressed. The report highlighted priority outstanding projects for the remainder of the year.

10.2 Key Performance Indicators (KPI's)

Performance against the agreed KPIs for 2023/24. Performance against targets was generally good. Some issues were noted however:

- Gross rent arrears were above target and appeared to have flat-lined.
- Average cost of void repairs was considerably above target. It was noted however that the target had not been changed from the previous year when there had been an objective of controlling spend against a significant upsurge in costs the prior year. In the interim attempts had been made to ensure that voids were being let to a consistent standard and in line with Void Standard and this had had spend implications.
- Spend on cyclical and capital works was well behind programmed spend at the mid-year point. However, all works had now been procured and it was expected that there would be significant catch up in the coming months.
- Tenant satisfaction with repairs and new tenant satisfaction were both below target and this would be further explored in accordance with the Service Improvement Action Plan.

The CEO highlighted that the average re-let time for the year to date was 31 days rather than the 18 days shown in the report. Whilst this meant that performance was still well below target the 18 days figure was the September monthly figure and indicated that good progress was now being made in reducing timescales.

10.3 Assurance Improvement Action Plan (AIAP) - Progress Update

Progress was noted against the AIAP that had just been approved in October. It was noted that this related to the Regulatory Standards and legal requirements items and not the actions under the Tenant Charter heading as it was intended that progress against these would be monitored by the respective sub-committees.

10.4 Complaints Handling Performance

The overview of complaints received and performance against target response times was noted. It was noted that only 69% of complaints were responded to within target timescales and that further investigation would be undertaken to as to the reasons for this. **A Member suggested that, for those out-with target timescales, it would be helpful to see the number of days they had run over by prior to completion. It was agreed that this be given further consideration in advance of the next report. The CEO highlighted that it may also be helpful to see the statistics for “average time to respond” which is an ARC indicator and for which therefore data is already being gathered. The CEO also reminded Board members that the Service Improvement Action Plan also included a commitment to carry out sample phone checks with tenants regarding their satisfaction or otherwise with how their complaint was handled. He suggested that this feedback also be included within the quarterly reports in due course and this was agreed.**

11. Membership Applications

This month there were no applications for Board consideration.

12. Any Other Business

Following prior discussion with the Chair the CEO proposed that the January Board meeting be brought forward to the 16th January. It would now be this meeting when the Board would be asked to consider rent increase proposals for 2024/25 and this timing would better facilitate the tenant consultation and final decision-making process that would be necessary by the end of February. **This was agreed subject to consultation with members not present.**


As standard, staff then left the meeting to allow the Board to discuss the quality of reports to that evening’s meeting, for subsequent feedback to the CEO.

Minute prepared by Tony Teasdale (CEO)

SIGNED:


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(Chairperson)

DATE:


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