

MINUTES OF	:	Board of Management Meeting
TIME & DATE HELD	:	26th March 2024
DATE APPROVED	:	30th April 2024

BOARD MEMBERS PRESENT	:	Hugh McIntosh (Chair), Grace Barbour, Brian Barclay, Elizabeth Battersby, Gillian Johnston, Maureen Mulgrew, Eddie Robertson, Janice Saunders and Linda Sichi
APOLOGIES	:	Rae Connelly and Marian Hassan
STAFF PRESENT	:	Tony Teasdale (CEO) Colette McKenna (DPS) Kirsty Brown (DFCS) Craig Russell (DCCS)
IN ATTENDANCE	:	N/A

1. Apologies

Apologies were noted as above.

The Chairperson welcomed Linda Sichi (Co-optee) and Craig Russell (DCCS) to their first meeting.

2. Declarations of Interest

Board Members Elizabeth Battersby and Linda Sichi declared an interest in Item 8.3, the EVH Pay Ballot, as employees of EVH Member organisations. The Association's employees, the CEO, DPS, DFCS and DCCS, also declared an interest.

3. Minutes for Information:

The draft minutes of the following meeting were noted:

3.1 Property Services Sub Committee: 14.03.2024

4. Minutes for Approval

4.1 Board of Management Meeting: 20.02.2024 (Confidential Version)

The draft Confidential Minute of the Board meeting held on 20th February 2024 was approved on a motion from Grace Barbour, seconded by Eddie Robertson.

4.2 Board of Management Meeting: 20.02.2024 (Non-Confidential Version)

The draft Non-Confidential Minute of the Board meeting held on 20th February 2024 was approved on a motion from Grace Barbour, seconded by Eddie Robertson.

5. Matters Arising Schedule

Members noted the content of the Matters Arising Schedule which provided an update on three areas arising from the February Board meeting, and in particular:

- The CEO provided an update on the responses made to tenants in regard to the service delivery issues raised as part of the recent rent consultation; and

- The CEO confirmed that all Board Members had been sent a report seeking approval for two proposed offers of tenancy covered by the Payments and Benefits Policy. Assurance was provided that the requirements of the recently reviewed Allocations Audit Trail procedures had been met. The Board approved both allocations. The CEO also advised that the Notifiable Event in relation to the retrospective approval of an allocation covered by the Payments and Benefits Policy had now been closed by SHR.

6. Compliance and Safety Update

Members noted the content of the Compliance & Safety Update Report, and in particular:

- At the time of issue of the report there had been one new Notifiable Event reported since the last meeting, relating to a potential legal claim against the Association in relation to a matter of tenant safety. The SHR has been notified through the usual Notifiable Events process. The CEO confirmed that this Notifiable Event has now been closed by SHR however they have requested that they be kept up to date.
- As noted at Agenda Item 5, the Notifiable Event in relation to the granting of retrospective approval of a tenancy covered by the Payments and Benefits Policy has now been closed.
- There have been no statutory returns filed since the last meeting date. All expected returns for the 2023/24 year have now been filed.
- That at time the report was issued there had been no significant Health and Safety incidents to report since the last meeting date.

7. CEO Progress Report (confidential)

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:

- After the need to cancel the Audit and Corporate Committee meeting on 7th March the sub-Committee Members had taken a series of decisions on-line. Overview of these noted and all details able to be viewed by Board Members on Decision time.
- The new Director of Customer and Community Services (Craig Russell) and Energy Adviser (Patrick Watson) had commenced work with the Association.
- Progress had been made with the property acquisitions programme with three additional properties likely to be acquired with Grant funding by the end of March.
- The new Shettleston Community Growing Project Co-ordinator was settling in well. The SCGP Board had approved a series of recommendations in relation to the future governance and financial management of the Project (copy enclosed with the report) and the CEO had now stepped down from the Board. The Community Regeneration Officer had resumed the role as SHA rep.
- It was noted that the Community Information Event that had been provisionally scheduled for 11th April would not now be proceeding as arrangements had not been found to be sufficiently advanced. Considerations would now be given to organising it at a later date.
- The CEO, in conjunction with FUSE, had held a meeting with local elected representatives (the MP and three Shettleston Councillors) to discuss the future of the Community Centre and scope for it to be taken into community ownership. The Centre has been closed since the beginning of Covid. Details of the condition survey of the building and of last year's community survey had been shared with the elected representatives. Whilst they were all alive to the potential challenges of the building and questions regarding its future use and sustainability there was a general desire to retain the facility if at all possible. As such it was proposed that we continue to liaise with FUSE and People Make Glasgow (on behalf of the Council) to explore the feasibility of this project.

- Members noted the recent report by the Scottish Housing Regulator (SHR) which provides an analysis of the latest audited financial statements of Scottish RSLs and its account of the financial challenges being faced by the sector.

8. Finance Report

8.1 Final Budget 2023/24

The DFCS shared a short presentation which provided an overview of the key changes made to the final draft of the 2024/25 budget since the first draft was approved in December 2023. Members noted that the figures had been reviewed and updated over the course of January to March to capture the latest information on income, expenditure and key assumptions for the year ahead. The following material changes were noted:

- Gross Rents and Service Charge Income had been uplifted by the agreed 5.4% (this was 5% in the first draft) resulting in an extra £47k of turnover;
- Management and Maintenance Administration Costs had increased by £186k, mainly reflecting the uplift in salary costs to reflect the revised EVH cost of living proposal (now 6%, previously 5.5%), a prudent uplift in expected insurance costs, professional fees and Board training and expenses, the inclusion of a prudent/worst case redundancy cost for the implementation of any structure changes to the CCS Team, and the transfer of loan non-utilisation costs from loan interest; and
- Reactive and Voids Maintenance costs have increased by £58k reflecting 80 Cockenzie Street security costs and the estimated impact of the uplift in Upkeep charge-out rates.

The updated cashflow forecast for the year ahead confirmed that the Associations minimum cash requirement of £1m in the bank at all times was expected to be met. Opening cash was estimated at £2.15m with closing cash estimated at £2.25m. The lowest cash balance was expected in December 2024, £1.83m. No loan drawdowns were expected to be required in the year.

Spend on Capitalised Major Repairs has been increased by approx. £170k since the first draft of the budget was prepared. There were some tweaks made to the planned spend to capture the outputs from the latest stock condition survey and we have now also captured the estimated carry forward spend from the 2023/24 year. The DFCS confirmed that the final budget figures for Capitalised Major repairs spend were as presented to the March 2024 Property Service Committee meeting, however a £150k reduction had been applied to achieve covenant compliance for the 2024/25 year. Members noted that if savings were made elsewhere, the £150k reduction would not be required. Spend and covenant compliance would be monitored as the year progresses.

A member queried the timing and value of the estimated spend for each component renewal, was this an even split of cost across the months or had the budget figure been flexed to show the spend value in the months that the payments were expected to arise. The DPS confirmed that figures had been flexed; the example used was the window contract which was showing the spend over the summer months as this is when the works are planned to take place.

The DFCS highlighted that the budget contains prudent assumptions and there is potential for the final results to be better than the budget assumes. In particular:

- There might be no need for the redundancy costs budgeted; and
- Interest receivable is likely to outperform the budget amount as we are now putting funds on fixed term deposit to access higher interest rates. This income has not been captured in the budget as we did not want to rely on it to achieve covenant compliance.

The DFCS confirmed that covenant compliance is achieved across all RBS indicators in the final draft of the budget (capital spend target, asset cover, gearing and interest cover). The interest cover covenant is tight: 103% compliance v 100% minimum threshold. However as noted above, compliance will be closely monitored as the year progresses.

The Management Board **approved** the final draft budget for the 2024/25 year.

8.2 Update 5 Year and 30 Year Financial Projections

The DFCS provided a short presentation on the key outcomes from the updated 30 Year Financial Projections. Members noted that:

- The plan captures latest forecast for 2023/24 along with final budget workings for 2024/25;
- Year 1 is 2023/24 (the plan will be rolled forward once the year end balance sheet position is final);
- The interest rate assumption has been revised upwards for years 1-3, now 5%, 5.5% and 5% respectively (previously 4% for each of the years);
- The above inflation rent increase assumption has been revised to plus 1% over years 3-17 (previously plus 2% over years 3-9);
- Capital investment spend has been updated following latest stock condition survey – an extra £9.2m has been added to plan over the 30 year business plan period;
- The plan contains prudent assumptions overall;
- The plan achieves annual surpluses and positive cash balances throughout (all annual cash balances are over our minimum requirement of £1m); and
- The plan achieves **existing** covenant compliance throughout.

The DFCS confirmed that the plan is showing a reduction in loan finance requirement of £19m when compared to the March 2023 plan. It is now also showing that all loan finance is repaid within the 30 year business plan period; £11.3m was outstanding at year 30 of the March 2023 plan.

Members were reminded that the Association has a current loan facility of £45m, split over 4 tranches. Two of these tranches are full repayment loans totalling £25m and two are £10m bullet loans, totalling £20m. The bullet loans are interest only and will need refinanced in the business plan period. The first £10m will need refinanced in 2030 and the plan is also showing that we will need another £3m loan finance at this time to help fund the planned investment spend. The second £10m will need refinanced in 2035. All loan finance will be repaid by 2049 (year 26 of the plan).

Members noted that the planned capital major repairs spend had been smoothed over the business plan period to achieve positive cash balances each year of over £1m and also covenant compliance. A total of £3.5m of expenditure has been pushed back from years 2, 4-6 and 8, to years 12-15. £0.25m of expenditure has been reallocated from year 22 to year 24, and £1m reallocated from year 26 to 27. The DPS confirmed that all smoothing was acceptable and could be accommodated. All planned investment spend has been accommodated over the 30-year business plan period. Members also noted that the additional investment spend of £9.2m had been achieved with an additional £3m loan finance, although there was now less cash in the plan over the 30 year business plan period than the March 2023 version.

Members noted that all existing loan covenants will be met over the 30-year business plan period: capital spend target, asset cover, gearing (financial indebtedness) and interest cover.

The DFCS reminded members of the issues surround the interest cover covenant which has previously showed a breach in the early years of the plan. The Association had been working with RBS to resolve and received a new covenant calculation proposal over the course of the 2023/24 year. The Association 'parked' discussions as the forecast results for the 2023/24 year were now showing compliance, and we wanted to capture the latest stock condition survey results before committing to a new covenant calculation.

We are now achieving existing interest cover covenant compliance throughout the 30 years of the plan, albeit there is little headroom in the early years. The new proposed covenant calculations were shown for comparison. Members noted that these did work for the Association, providing much more headroom.

The DFCS confirmed that these latest business plan workings will be shared with RBS following the March Board meeting. Following discussion it was agreed that we should delay making any changes to the covenant calculations until the sector is clearer on the requirements of EESSH2 and Net Zero. We are due to refinance a £10m bullet loan in 2030. The business plan is also showing that we will need an additional £3m when refinancing this loan to complete the planned major repairs investment. If we can continue to meet existing covenants for the next few years, it would be timely and cost effective to wrap up any required changes to the covenants along with the refinance / new finance procurement.

The DFCS provided an overview of the sensitivity analysis workings that had been done on the updated business plan projections. There were ten 'what-if' scenarios calculated to show the vulnerability of the plan in relation to inflation rates, interest rates, bad debt rates, above inflation rent increases and increased operating and capital expenditure. Board Members noted that:

- Inflation is good for the plan if there are no specific restrictions on income inflation.
- The plan is relying on above inflation rent increases going forward. Where this was removed or restricted it provided the worst outcomes of all the sensitivities.
- Annual surpluses were still achieved in all scenarios where only one change was made to the base model assumptions. The main issues were negative cash and covenant compliance.
- Investment spend could be smoothed or restricted to achieve positive cash balances and covenant compliance in some of the scenarios where costs were increased through increasing bad debts, operating costs or capital expenditure.

It was noted that the latest approved version of the business plan model will be used to populate the 5 Year Financial Projection Return due to be submitted to SHR by 31 May 2024. This will be presented to May 2024 Management Board meeting.

The Management Board considered and approved the draft updated 30 Year Projections. This version of the plan now being the new base model.

The Management Board also agreed to delaying any revision to the existing suite of loan covenants.

The presentation relating to Agenda Items 8.1 and 8.2 is available on Decision Time.

8.3 EVH Annual Pay Award: Ballot

The DFCS provided an overview of the discussions and information shared to date regarding the EVH cost of living award for the 2024/25 year. To summarise, the first proposal of 5.5% had been rejected by union members. EVH are now proposing a single year pay deal as follows:

- An increase of 6% on all salary points (bar points PA1 to PA6 which will be increased to the set rate for the Real Living Wage of £12.00 per hour). This increase will also be applied to all allowances, bar the standard HMRC fixed mileage allowance and will be effective from 1st April 2024.

The DFCS confirmed that union members had now voted to accept the updated proposal of 6%. Members were assured that the proposed increase of 6% had been accommodated in the final budget presented at **Agenda Item 8.1** and also the updated business plan projections presented at **Agenda Item 8.2**.

The Management Board considered the proposal and decided how to vote in the ballot. The DFCS confirmed that she would submit the response in advance of the 28th March deadline.

9. Rent Arrears Write-Off Report

The DCCS presented the Rent Arrears Write Off Report. Members noted the content of the report and considered the values and the reason for write-off. A Member queried why few were referred to a debt collection agency. The DCCS confirmed that referral was dependent on the value of the debt and the circumstances.

Members approved:

- **The proposed £29,083.51 former tenant arrears write-off; and**
- **The proposed £6,175.95 current tenant arrears write-off.**

10. SHA Business Plan 2024 – Key Issues for Consideration

The Board noted the content of the report. Members were reminded of Board discussions and decisions regarding aspects of the Business Plan over recent months and noted that the financial aspects of the Plan had been now concluded under agenda item 8.

It was noted that the full, final draft 2024 Business Plan would be brought to the Board for consideration at the meeting on 30th April. In the meantime Members were being asked to consider other key elements of the Plan.

Strategic Objectives

It had previously been agreed that the wording of the Strategic Objectives be revised to make them a bit shorter and to more clearly distinguish between Objectives A and C in particular. Members considered these and **the Board approved the following Objectives for inclusion within the updated Plan:**

- A: *Achieve excellent standards of governance and build our organisational resilience.*
- B. *Improve the customer focus and value for money of our services.*
- C. *Deliver our investment programme to achieve the best possible outcomes for quality, affordable and sustainable homes in the area.*
- D. *Support our tenants and the local community to make positive change and deliver good health and wellbeing outcomes.*
- E. *Continue to develop our staff team and refresh our working culture.*

Key Risks

Members were reminded that Appendix 1 to the Plan provides information about the key risks facing the Association. The Risk Register had recently been reviewed by the Audit and Corporate Committee and a summary of this had been enclosed with the report for consideration. **The Board approved the inclusion of this within the updated Plan as a statement of the current key risks.**

Delivery Plan

Members noted, and gave in-principle approval to, the proposed list of priority projects for progressing the Strategic objectives in 2024/25, and the target timescales for completion of these.

It was noted that the Delivery Plan would now be drafted for consideration at the April meeting on the basis of this. The intention would be to develop a “SMART” (i.e. specific, measurable, achievable, relevant and time-bound) definition of each project.

Finally, the Board noted that the proposed operational targets or Key performance Indicators (KPIs) for 2024/25 were under review and would be brought to the April meeting for consideration and approval. This year we would be looking to make proposals to the Board on these with more specific reference to how our performance compares with the rest of social housing sector.

11. Subsidiaries Update and Draft Upkeep and East End Business Plans

The Board noted the content of the report.

Members’ attention was drawn to the content of the CEO’s briefing session for members on 28th February on the role of our subsidiaries (East End and Upkeep) and relationships within the Shettleston Housing Group. This had been attended by four Members.

Members noted the information within the report regarding:

- Current subsidiary Board Members.
- Meeting arrangements for the subsidiary Boards and the fact that papers for these are accessible to all SHA Board Members on Decision Time and draft Minutes of these meetings are routinely presented for information to the next SHA Board meeting.
- The Intragroup Agreement and the role this gives to the SHA Board as parent in terms of:
 - Subsidiary Board appointments
 - Approval of budgets
 - Approval of Business Plans.

In this context the Board was then asked to consider the draft budgets and updated Business Plans for the two subsidiaries. It was noted that these had already been given prior approval by the respective subsidiary Boards.

Following consideration **the Board formally approved the draft budgets (for 2024/25) and the updated 2024 Business Plans for:**

- **East End Housing Development Company**
- **Upkeep Shettleston Community Enterprises**

12. Governance Issues

Members noted the content of the report.

Considerations was again given to the vacant position of Vice -Chair of the SHA Board and issues around this. Elizabeth Battersby (currently Secretary) indicated a willingness to take on this role.

Members noted Elizabeth's prior involvement with the Board and the various positions of responsibility she has held within the Group, including with chairing meetings and it was agreed that she was well placed to cover for the Chair in his absence. She made clear that, in terms of succession planning, she did not wish to become Chair herself in future.

Elizabeth's candidature as Vice Chair was formally proposed by Hugh McIntosh and seconded by Gillian Johnson. There were no other candidates and she was duly elected.

It was noted that this left the position of Secretary vacant and it was agreed that an election for this be held at the next Board meeting. It was also noted that the following positions within the Group also remained vacant:

- Chair of the Housing & Community Services Committee
- Chair of the Upkeep Board.

Members were encouraged to consider standing and it was agreed that the next 30 minute on-line briefing session for Board members was due to cover the topic of the role of the Office bearers. **It was agreed that the briefing session be brought forward from mid-May to mid-April and should be expanded to also cover the role of sub-Committee Chairs.**

It was also noted that the Standing Orders currently prevent the Chair and Secretary from tasking on other chairing roles within the structure. Given that there is a total of 8 office bearer and chairing roles within the Group filling these roles might continue to prove challenging given the fact that the SHA Board only currently had eleven Members and not all of these would be willing or able to take on these roles at any time. **In light of this' following discussion, the Board agreed to ask Freya Lees (North Star consultancy) who is carrying out the governance review to give an early view on whether Standing Orders might appropriately be amended to relax at least some of the current restrictions on Office bearers in this regard.**

Finally, the Board approved other changes to the meeting schedule as follows:

- **It was agreed that a Special meeting of the Board be held on 7th May to consider initial proposals from Freya Lees regarding the governance review.**
- **It was agreed to move the date of the AGM forward from 19th September to 17th September.**

13. Membership Applications

The Board noted the content of the report and **approved the following application for share-holding membership** of the Association:

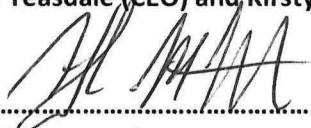
- **Miss Shona McGillivray, a tenant of the Association living in Pettigrew Street.**

14. Any Other Business

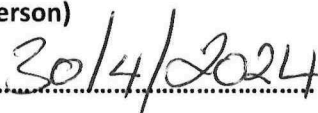
There were no items raised. In accordance with standard procedure staff Members then left the meeting and the Board discussed the quality of reports that had been provided to this meeting, with any action points to be fed back by the Chair to the CEO.

Minute prepared by Tony Teasdale (CEO) and Kirsty Brown (DFCS)

SIGNED:


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(Chairperson)

DATE:


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