

CALEDONIA HOUSING ASSOCIATION LTD
MINUTES OF THE MANAGEMENT BOARD MEETING
HELD ON TUESDAY 26 JANUARY 2021 AT 6.00PM
BY VIDEO CONFERENCE

Present:	Alan Nairn	Chair
	Mary Clark	
	Ian Gray	
	Graham Logan	
	Alex McDougall	
	Douglas McLaren	
	Andrew Richmond	
	Derek Robertson	
Lorna Williamson		
In Attendance:	Julie Cosgrove	Chief Executive
	Leigh Grubb	Director of Finance & Governance
	Garry Savage	Director of Strategy & Innovation
	Tim Calderbank	Director of Customer Services
	Andrew Kilpatrick	Director of Assets
	Barry Johnstone	Director of People
	Jenny Dalton	Governance Officer (Minute Taker)

1.21 Apologies

Apologies were **NOTED** from Tim Goddard.

2.21 Declaration of Interest

Ian Gray and Mary Clark declared an interest in Agenda Item 8.21 - Rent and Service Charge Setting Policy and Rent Increase Consultation Proposals. The Chair advised that Ian and Mary would be required to leave the meeting whilst this item was considered.

ITEMS for DISCUSSION and/or APPROVAL

3.21 Draft Minutes of the Remuneration Committee Meeting held on Monday 7 December 2020

The Chair advised that this was a late addition to the Agenda and that Andrew Richmond, as Chair of the Remuneration Committee, would present the item. Andrew Richmond reminded members that the Remuneration Committee had met on 7 December 2020 and that the minutes had been discussed at the Board “members only” meeting on 15 December 2020 and again at the “members only” meeting immediately prior to this Board meeting. Andrew Richmond explained that there were two recommendations arising from the Remuneration Committee meeting that required to be formally approved by the Management Board. Board members **APPROVED** both recommendations, which would be applied from 1 April 2021.

4.21 Draft Minutes of the Management Board Meeting held on Tuesday 15 December 2020

The minutes were agreed as a true and accurate record and were **APPROVED** by the Board. The minutes were duly adopted and the Governance Officer would arrange for them to be signed by the Chair.

5.21 Matters Arising

There were no matters arising that were not dealt with elsewhere on the Agenda.

6.21 Chief Executive's Report

The Chief Executive advised that two members of Cordale's Management Committee had recently resigned, reducing the number of Committee members to six. Under the Association's Rules, if Management Committee membership falls below seven, then the Committee can only continue to act for another two months and if, at the end of this period it has been unable to find another member to bring the membership to at least 7, then the Committee's responsibilities are restricted to the recruitment of members only, with all other responsibilities transferring to Caledonia. The situation constituted a Notifiable Event and the Scottish Housing Regulator (SHR) had been advised accordingly.

The Chief Executive further advised that recruitment to the Cordale Management Committee was being progressed as a matter of urgency and that two potential candidates had been identified. Cordale's Chair and Vice Chair had been informed of the Notifiable Event and the matter had also been discussed at Cordale's management committee meeting on 19 January 2021.

The Chair advised that he had contacted Cordale's Chair and offered the assistance of the Caledonia Management Board should this be required.

Business Continuity Update

The Chief Executive advised that despite the tightening of restrictions by the Scottish Government on 26 December 2020 there had been little material impact on the Group's operations and provision of services. The Chief Executive highlighted a number of areas in her report as follows:

Service Delivery/Performance

The provision of essential repairs was being maintained and the allocation of void properties was continuing following all relevant guidance.

Overall Group rental income collected to the end of December 2020 was 98% of the total rental income due with the figure for Caledonia equating to 99%. This was a slight increase on the previous month's figures.

The Scottish Government had extended the ban on evictions until the end of the financial year on 31 March 2021 in Tier 3 and 4 areas, with the exception of those evictions for criminal behaviour, serious anti-social behaviour and domestic abuse.

Legal and Regulatory Requirements

A number of staff members had received shielding letters, and in line with previous arrangements for staff shielding, Board members **APPROVED** the recommendation that affected staff members be furloughed.

Delegated Authority

Following the recent restrictions, the decision was taken to pause Stage 3 adaptations and to complete risk assessments for any work deemed as essential. Discussions had taken place with PKC and Angus Councils on the provision of the Care and Repair service. PKC requested that essential work continue and this would be subject to risk assessment. Angus Council had requested that work on any existing cases be completed but that no new cases be taken forward.

Financial Implications

The largest area of Covid-related expenditure related to the additional cleaning of communal areas. This additional cleaning was required to protect the health and safety of tenants in the vulnerable category and to maintain a safe working environment for staff in the very sheltered and retirement developments, and as such the cleaning would continue for the foreseeable future. Board members queried whether any of this additional cost could be recovered. The Chief Executive advised that she had raised the issue with the SFHA Response Group who were looking into why sheltered and very sheltered schemes were not being given the same financial assistance as care homes. The Chief Executive advised that she would continue to pursue this issue but that it may not be possible to recover these costs.

The Director of Finance & Governance (DoFG) advised that he was also seeking to recover additional IT costs incurred from the Group's Insurers and would continue to pursue this with them.

Climate Change Plan Update – Scottish Government

The Chief Executive advised that the Scottish Government had recently published an "Update to the Climate Change Plan 2018-2032" setting out the actions that would be taken during the period to 2032 to achieve the transition to net zero by 2045. The Chief Executive explained that the update was a large document but that she had attempted to summarise its contents in her report. The main areas for consideration by the Association as a landlord, business and employer related to:

- Buildings – offices, existing houses and new properties,
- Transport – travel to and for business,
- Place – rethinking how places are lived in, planned and delivered; to be low carbon and resilient eg 20 minute neighbourhoods,
- Energy – decarbonising domestic heating whilst eradicating fuel poverty and opportunities for hydrogen to replace gas in heating homes,
- Planning system – where and what is developed, with climate change as a guiding principle for all plans and decisions
- Waste – opportunities to remove and reduce waste within the construction industry

The Chief Executive advised that decarbonising of domestic heating to reduce emissions from buildings would be a significant issue for the Association as 75% of existing stock was heated by gas. Board members agreed that considerable funding and investment would be required if the

Association was to meet the Scottish Government's energy target and that external professional assistance would be required to look at the most efficient and cost effective alternatives to gas.

The Chair advised that a Climate Change Working Group would be set up in the new financial year to consider the actions within the Climate Change Plan that affected the Caledonia Group. Governing bodies would be provided with regular updates on the working group's findings.

Energy Efficiency Standards for Social Housing (EESH) Compliance

The Chief Executive advised that an independent audit of the Association's EESH compliance statistics had recently been undertaken by Renewable Energy Consultants Ltd (RECL). The outcome of the audit was that 98.8% of the stock required to meet the EESH requirements was found to be compliant with RECL confirming that by comparison to other RSL's our pass rate was exemplary. The Chair congratulated the Chief Executive on this outcome.

7.21 Management Accounts to 31 December 2020

The Director of Finance & Governance (DoFG) presented the management accounts for the nine months to 31 December 2020 and advised that all lenders covenants had been met with the interest cover position comfortably meeting the Association's internal target of 120%.

The DoFG advised that turnover comparison was down by 3.7% on the same period last year. Lockdown restrictions imposed as a result of COVID-19 had resulted in the suspension of the Home Help service and had also significantly reduced Care & Repair income. The results also reflected the loss of income as a result of the closure of Leuchars Care Home. The DoFG also explained that operating costs were £1.2m lower than for the same period in the prior year. This was partly due to savings as a result of the closure of Leuchars Care Home together with reductions in spend on the Home Help service and Care & Repair. There had also been a significant reduction in the level of Stage 3 adaptations expenditure in the first nine months of the year together with a reduction in the committed investment in the major repairs programme compared with the same period last year.

Performance for the 9 months to December 2020 had been substantially better than the revised budget with a net operating surplus of £2.1m compared with a budget of £800k. This positive variance is expected to persist through the remainder of the financial year and has been driven to a large extent by significantly better voids and bad debts performance (against prudent budget assumptions) and significant costs savings achieved in salaries and overhead costs of around £450,000. These latter cost savings were the result of a combination of delayed recruitment activity as well as reductions in certain overheads (eg travel, training and energy costs) as a result of public health restrictions. The Chief Executive had reported separately on the modest overspend on the COVID response budget.

It was noted that due to the recent increase in lockdown restrictions it was now unlikely that the cyclical and major repairs budget would be fully spent by the year end. The DoFG advised the Board of the steps being taken with our lenders to enable aggregate additional planned maintenance spend of £3.2m to be made across the next two financial years without impacting on our covenant calculations. Lenders are supportive of these plans to facilitate investments which would, were it not for the outbreak of coronavirus, have been carried out during the 2020/21 financial year.

Board members **AGREED** that it was crucial that the Association maintained its existing properties as well as building new homes and **REQUESTED** that planned maintenance be included as a strategic priority within the 2021-26 Business Plan.

8.21 Draft Budget for the Five-Year Period to 31 March 2026

The Association's budget for the five year period to 31 March 2026 is confidential until it is approved by the Management Board.

9.21 Rent and Service Charge Setting Policy and Rent Increase Consultation Proposals 2021/22

Mary Clark and Ian Gray left the meeting whilst this Agenda Item was discussed.

The Director of Customer Services (DoCS) explained that the Group Rent and Service Charge Setting Policy set out how organisations within the Group would ensure that their rents and any potential increase complied with legislative and regulatory requirements and that the policy was reviewed annually.

The Group Rent and Service Charge Policy had been reviewed by senior staff who had concluded that no amendments were required. A tenant consultation exercise had then been undertaken which, due to current Coronavirus restrictions, was undertaken by on-line survey. A summary of the feedback received was included in the DoCS's covering report. Board members asked how specific items raised in the feedback would be dealt with. The DoCS confirmed that any relevant items would be processed through the existing procedures for complaints and highlighting issues.

There was discussion about the feedback a tenant may provide in relation to the Rent Policy which could influence its review. The DoCS stated that areas of feedback might include comments about the measure of affordability, the appropriateness of the cap on the annual rent increase or the measures provided for resident consultation, however significant elements of the policy were required by legislation or regulation. There were no comments that affected the review of the Group Rent and Service Charge Setting Policy, which was now being brought to the Management Board for approval.

Board members **APPROVED** the reviewed Group Rent and Service Charge Setting Policy.

Rent Consultation 2021

The DoCS explained that it was not proposed to provide or consult on a range of rent increase options this year as the feedback and outcomes from last year's rent consultation exercise had demonstrated very little support for this type of approach. Instead it was proposed to undertake a rent consultation exercise with tenants based on a rent increase of 0.5%. These tenant consultation measures were in line with the Social Housing Charter, the Tenant Participation Strategy and the current Coronavirus restrictions, and would be communicated to all residents using various media channels.

As in previous years, a report on the outcome of the consultation exercise would be provided to the Management Board prior to approval of the budget and rent increase in February 2021. If the rent increase was approved, residents would be sent individual letters providing the required 28 days' notice of the proposed rent increase, details of the rent due from April 2021 and a detailed schedule setting out the service charge also due from April 2021.

Board members were reminded that Caledonia would also undertake separate consultation exercises with the tenants at Bowerswell Memorial Homes, and the tenants of the former Antonine Housing Association who transferred to Caledonia in October 2018.

Board members **APPROVED** the proposal to consult with tenants based on a rent increase of 0.5%.

Mary Clark and Ian Gray re-joined the meeting at this point.

10.20 Business Plan 2021/26 – Strategy Proposals

The Director of Strategy & Innovation (DoSI) advised that the strategic priorities proposed in this report had been developed following consultation with the Management Board at the strategy event held in November 2020 and the subsequent consideration of the outcomes of the strategy event at the December Management Board meeting. Information on these key priorities would also be included with the rent consultation information being sent to tenants across the Group in February 2021.

Management Board members **NOTED** the proposed new strategic priorities of Climate Change, Rent Affordability and Treasury Management and requested that Planned Maintenance also be added as a strategic priority from the discussions earlier in the meeting. The Management Board **APPROVED** the proposed strategic priorities subject to this amendment being made.

Following a query from the Board, the Director of Assets (DoA) advised that the strategic priority of “providing 1000 new homes in 5 years” was first incorporated into the Business Plan in 2017 and was therefore due to conclude in 2022. Board members **REQUESTED** that a year-by-year breakdown of the development programme be prepared for their information.

11.21 Business Plan 2020/25 Implementation Plan – Quarter 3 Update

The DoSI presented the report and advised that 9 of the 19 (47%) actions due to be carried out over the third quarter of the Plan had been completed, with the majority of the other actions currently work in progress. Over the first nine months of the year 30 of the 48 (63%) noted actions had been completed. Updates on each of the initiatives were provided in the progress update notes section of the Initiatives Review table. Work on the remaining actions would continue and a final report on the 2020/21 period would be provided in April 2021.

The Board **NOTED** the implementation plan progress for Quarter 3.

12.21 Development and Planned Maintenance Update

This report is confidential as it is commercially sensitive and publication could harm commercial interests.

ITEMS for INFORMATION

13.21 Draft Minutes of Cordale Management Committee Meeting held on Tuesday 8 December 2020

The draft minutes were **NOTED**.

14.21 Draft Minutes of the Health & Safety Committee Meeting held on Wednesday 9 December 2020

Ian Gray advised that he had not been informed of the Health & Safety Committee meeting dates or provided with meeting papers for some time. The Director of People apologised for the omission and advised that he would ensure this did not occur in future.

The draft minutes were **NOTED**.

15.21 Any Other Business

Board members discussed the recent cyber security incident involving the Scottish Environmental Protection Agency (SEPA) and the need to mitigate the risk of such an event occurring within the Caledonia Group. The DoSI confirmed that cyber security had been a key focus of the ICT team over the past year and that this was an ongoing process. The DoSI advised that enhanced security measures had been introduced at Brightsolid, the Group's data hosting centre, and that the ICT team would be working to achieve Cyber Essential accreditation over the coming months and then Cyber Essential Plus accreditation in the new financial year. Staff training on cyber security and home working was also due to commence over the coming weeks. Board members **NOTED** that cyber security was also a standing item on the agenda of the Audit & Risk Management Committee.

It was **NOTED** that the Group Governing Body Equality & Diversity Training Session would be held via Zoom at 6.00pm on Wednesday 17 February 2021.

It was **NOTED** that the next Management Board meeting would be held via Zoom on Tuesday 23 February 2021.

There being no other business, the meeting concluded at 8.20pm.

Chair's Signature