

CALEDONIA HOUSING ASSOCIATION LTD

**MINUTES OF THE MANAGEMENT BOARD MEETING
HELD ON TUESDAY 20 AUGUST 2019
AT 118 STRATHERN ROAD, BROUGHTY FERRY, DUNDEE**

Present: Penny Coburn Chair
Alan Nairn Vice Chair
Helen Archibald
Ian Gray
Alex McDougall
Graham Logan
Veronica Lynch

Special Leave of Absence: Martin Harkness

In Attendance: Julie Cosgrove Chief Executive
Ron Hunter Finance Director
Andrew Kilpatrick Director of Assets
Tim Calderbank Director of Operations
Garry Savage Director of Strategy & Innovation
Barry Johnstone Director of People
Angela Murphy Finance Manager
Jenny Dalton Governance Officer (Minutes)

105/19 Governance Working Group Update

The meeting began with a members only meeting, attended by the Director of Strategy & Innovation, when members were provided with an update by the Vice Chair on the progress being made by the Governance Working Group (GWG) on the self-assessment review of the Group's existing governance arrangements against the requirements of the Scottish Housing Regulator's (SHR) new regulatory framework (Regulation of Social Housing in Scotland – Our Framework). Following discussion on the update, members **APPROVED** the progress made to date by the GWG and noted the arrangements for providing any additional feedback information.

106/19 Apologies

Apologies were **NOTED** from Lindsay Darroch and Elaine O'Brien.

107/19 Declaration of Interest

Ian Gray declared an interest in Agenda Item 110.19 and the Finance Director declared an interest in Agenda Item 111.19. Both would be asked to leave the meeting whilst these items were discussed.

108/19 Minutes of the Management Board Meeting held on Tuesday 18 June 2019

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.

109/19 Matters Arising

Item Management Annual Performance Assessment *90/19 Board Skills &* The Director of Strategy & Innovation explained that a combined Learning & Development programme for the Group governing bodies would be prepared over the autumn months and that this would ensure that training and governing body member development was consistent across the Group.

The Chair asked that members be asked to quantify what further Finance training they required given the focus on finance in the 2018/19 training programme.

The Chief Executive provided an update on Board member recruitment, which had involved recruitment adverts during the summer months. Two applicants had recently met with the Chair and Chief Executive. Both the Chief Executive and Chair had been very impressed by the first applicant's experience and expertise and felt that he was a strong candidate for the Board. Members **AGREED** that further consideration should be given to co-opting this applicant onto the Board following the AGM.

The issue of diversity on the Board was also discussed and members **AGREED** that this should be given further consideration going forward.

Item 91/19 – Chief Executive's Report – Bellsmyre Regeneration and Transfer of Engagements The Director of People advised that Bellsmyre HA had appointed FMD Financial Services Ltd to undertake a financial due diligence exercise that involved reviewing Caledonia's capacity to deliver the regeneration programme and the financial assumptions that informed the regeneration and transfer of engagements decision-making process.

110/19 CONFIDENTIAL ITEMS for DISCUSSION and/or APPROVAL

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111/19

These items are recorded in separate confidential minutes.

ITEMS for DISCUSSION and/or APPROVAL

112/19 Bellsmyre Regeneration and Transfer of Engagements

Regeneration

The Director of Assets advised that, following detailed consultation with Bellsmyre residents, the decision had been taken to replace up to 260 tenement flats with 150 new homes rather than the 183 homes previously planned. Feedback from residents had shown a wish to avoid replacing high density flats with high density houses and also provide a more varied housing mix, such as accessible housing for older people. He stressed that the proposed reduction did not present any financial or strategic issues and that, when combined with West Dunbartonshire Council's (WDC) new build programme and the Association's planned development at Muir Road, it would result in 271 new affordable homes in the Bellsmyre neighbourhood.

The Director of Assets explained that WDC wished to establish a strategic agreement with Caledonia acknowledging a collaborative approach to supporting housing development and regeneration in West Dunbartonshire and had drawn up a Memorandum of Understanding, which although not a formal legal document, set out their commitment to the regeneration proposals.

The Board **NOTED** the copy of the Memorandum of Understanding attached to the report and **APPROVED** the recommendation that the Association sign the document with a view to being one of the Council's strategic development partners.

Transfer of Engagements

The Director of People explained that the statutory consultation with residents was due to take place in November with the ballot held in December; however it was now requested that Caledonia and Bellsmyre governing bodies agree to consider the business case in early October to allow the ballot to be held in November. The governing body meetings were due to be held in late October and therefore should the governing bodies approve this request then alternative arrangements would have to be made to allow the business case to be considered and approved earlier in the month. The Director of Strategy & Innovation suggested that the earlier meeting could also be used to consider the findings of the Governance Working Group. Following discussion, it was agreed that the Director of People and Director of Strategy & Innovation would reconsider proposed arrangements for this meeting. The Chair requested that the meeting be held in Perth.

113/19 Chief Executive's Report

ARC Submission

The Chief Executive explained that following submission of the ARC document to the Scottish Housing Regulator (SHR) in May it was noted that the percentage figure in relation to tenants who had repairs carried out in the year 2018/19 was incorrect and should be 87.83% instead of the reported figure of 88.56%. The error had been notified to SHR however no feedback from them had been received to date.

Following notification in the ARC submission that the Association had been unable to complete all the required annual gas safety checks by their anniversary date and an explanation as to why this was the case, SHR had written to the Chair reminding her of our legal requirements to comply with annual gas safety checks. The Chair had written back to SHR to confirm that we had taken action to rectify the situation as regards the handover of new properties. Both letters had been circulated to Board members for information.

The Chief Executive explained that there was one property that had fallen outwith the annual inspection programme and her report outlined the reasons for this. SHR had been notified under the notifiable events (NE) process and they had asked to be kept informed when the keys were returned and the gas safety check carried out. SHR had since confirmed that they did not require any further information and the NE had been closed.

Customer 1st Working Group

Members **NOTED** the update on the work of the Customer 1st Working Group and that the next meeting would be held in late September.

Scottish Housing Associations Pension Scheme (SHAPS)

Members **NOTED** the contingent funding agreement agreed by SHAPS that included the extension of the recovery plan for a further year to 31 March 2023.

Notifiable Events

Members **NOTED** that SHR had advised that they did not require any further information in respect of the complaint relating to the residential care unit and had closed the NE.

The Chief Executive advised that the water damage to and subsequent temporary closure of the Association's Perth office had been reported to SHR as a NE who had asked to be kept updated.

Board members congratulated staff on the actions taken to ensure inconvenience to residents and service providers was minimal and noted that the Association's Business Continuity Management Plan (BCMP) had worked well. The Chief Executive confirmed that a full assessment would be undertaken at the end of the recovery process and the BCMP revised as required.

The Director of Assets advised that it was likely that the office would not be open to the public until late September.

De-Registration of Antonine Housing Association

Members **NOTED** that Antonine HA had been formally de-registered as a Registered Social Landlord and that this concluded all of the legal and regulatory requirements relating to the transfer of engagements.

West Dunbartonshire Provost Civic Awards

Board members **APPROVED** the sponsorship of the West Dunbartonshire Provost Civic Awards at a cost of £2,000 as outlined in the report.

Revised Privacy Notices

Members **NOTED** that the Group's Privacy Notices had been updated for clarification purposes and to improve transparency; that the revised Customer Privacy Notice was available on Group members' websites; and the revised Governing Body Privacy Notice was available to view on Decision Time.

Policy Review

Members **NOTED** that the following policies had been reviewed and a number of minor changes made as outlined in the report.

- Group Employment Reference Policy
- Group Recruitment and Selection Policy
- Group Standing Orders
- Group Code of Conduct for Governing Body Members
- Group Conflict of Interest Policy
- Group Governing Body Members Expenses Policy
- Group Governing Body Membership Policy
- Group Membership Policy
- Group Staff Code of Conduct

Annual Accounts 2018/19

The Finance Director presented the 2018/19 Annual Accounts prepared and audited under the current FRS102 Financial Reporting Standard and the relevant Statement of Recommended Practice.

The Annual Accounts and Final Audit Findings Report had been considered and endorsed by the Audit Committee at their meeting on 7 August 2019 when Janet Hamblin of RSM had been in attendance. Whilst no significant deficiencies in internal control had been identified by the external auditors a number of issues had been highlighted in the report. These issues had been discussed at the Audit Committee meeting and were detailed in the draft Audit Committee meeting minutes included on this meeting Agenda. The Bellsmyre and Cordale Management Committees had discussed and approved their annual accounts at the meetings held on 12 and 13 August respectively.

The Group made a net surplus of £6.3m for the year with an operating surplus of £5.6m being achieved. Caledonia HA made a net surplus £6.7m and an operating surplus of £5m. The results demonstrated sustained growth and solid financial performance with the contribution made by Antonine HA transferring into Caledonia HA leading to a 16.25% increase in operating surplus. The transfer had also created a fair value adjustment of the transferred assets amounting to £5.81m. Under normal circumstances this would have resulted in a 26.86% increase in net surplus but the requirement to increase the SHAPS pension liability had reduced the net surplus by some £703,000 to £6.70m. In conjunction with the external auditors, the current value of the Association's Broughty Ferry office had also been considered in the light of significant maintenance being required and its value in the market. This review concluded that an impairment charge of £135,000 should be applied to reduce the value by one third. The Association's ability to absorb these albeit technical charges demonstrated the strength and resilience of the organisation. Reserves and housing assets had increased during the period through organic growth and the contribution made by Antonine HA, and investment in current housing stock had been maintained at 2018 levels.

The Finance Director thanked his staff and the external auditors for the substantial work involved in producing the consolidated Annual Accounts and the Board endorsed these comments.

Management Board **APPROVED** the Annual Accounts for 2018/19 as recommended by the Audit & Risk Management Committee.

Letter of Representation

The Chair reminded members that as Trustees they were making a serious declaration in this letter and that it should not be treated lightly. Management Board acknowledged these comments and **REMITTED** the Chair to sign the Letter of Representation on its behalf.

On recommendation of the Chair, members **AGREED** that item 115/19 should be advanced up the agenda, and it was taken after item 112/19.

115/19 Management Accounts to 30 June 2019

The Finance Manager presented the management accounts to 30 June 2019 and highlighted a number of key areas. She explained that the Association achieved an operating surplus for the period of £2.1m (period to 30 June 2018 - £1.7m). Total investment on all repairs maintenance activities, reactive, cyclical, planned maintenance and capital expenditure was £695K (period to 30 June 2018 - £473K). Annual expenditure on planned maintenance was derived from a 30

year life cycle costing consultant's report designed to ensure that all housing properties and retained surplus are calculated after providing £1.2m (period to 30 June 2018 £1.2m) for depreciation.

Following a query from members on the increased spend in relet repairs, the Director of Customer Services advised that this was due to a number of factors including a 20% increase in voids in this quarter compared to previous years and the presence of asbestos in a number of vacated properties in Kirkintilloch that required to be removed.

Temporary arrangements had also had to put in place following the collapse of McGills, one of the Association's main maintenance contractors, resulting in an increase in costs. These contracts would be put out to tender going forward, allowing greater certainty on costs.

(The Finance Manager left the meeting at this point)

116/19 Loan Facility Management

The Finance Director explained that the current credit facility with the Bank of Scotland had been due to end on 21 August 2019; however in conjunction with the Association's treasury management advisor, the terms had been re-negotiated and the facility could be re-set for a further five year period. The terms of the re-negotiated facility were very good and the funding would allow the Association to complete the development of at least the first two years of its new build programme. He advised that the facility documentation had now been finalised by both sides' solicitors.

Management Board **APPROVED** the renewal of the credit facility as set out in the report. Members also **APPROVED** the recommendation to sign Lloyds Bank facility agreement and create an Officers Certificate and Management Board minute in the form required by the Bank of Scotland.

On recommendation of the Chair, members **AGREED** that item 117/19 should be advanced up the agenda, and it was taken after item 113/19.

117/19 Draft Minutes of the Audit & Risk Management Committee Meeting held on Wednesday 7 August 2019 and Corporate Risk Map

The Chair of the Audit & Risk Management Committee advised that he had nothing further to add to the minutes of the meeting and the minutes were duly **NOTED** by members.

118/19 Business Performance 2019-20 Quarter One Update

The Director of Strategy & Innovation presented the quarterly performance report, which showed the results for the first quarter of the reporting year and advised that 60% of indicators were on target at 30 June 2019.

119/19 Business Plan 2019-24 Implementation Plan Update

The Director of Strategy & Innovation presented the report that provided an overview of progress in relation to the strategic priority actions identified within the 2019-2024 Business Plan. He advised that 67% of the actions due to be carried out over the first quarter had been completed and that updates on each of the initiatives in the Business Plan were provided in the progress update notes within the report.

120/19 Development and Planned Maintenance Update

New Housing Developments – Committed and Pipeline Projects

Works had recently commenced at Crieff Road, Perth and Montrose Road, Arbroath and the Association now had 208 units currently on site. The project at Burrelton was completed in two phases – most units were completed three weeks early with some one week late.

Planned Maintenance Programme 2019-20

The Director of Assets highlighted that projected spend was below budget, as some projects had been omitted following more detailed inspections. Consideration would be given to introducing alternative projects to replace these projects later in the year.

121/19 Tender Stage Project Appraisal for Newhouse Road, Perth

The Director of Assets presented the report, which sought approval from the Management Board to proceed with the demolition of the remaining 5 blocks (30 flats) at Newhouse Road, Perth and to proceed to tender stage for the new build housing development of 13 residential units to be constructed on the site. He explained that it would be necessary to divert the water main at the rear of the site prior to demolition; however Scottish Water's approved contractor, Clancy Docwra, had yet to commence this work.

Members noted the improvements that had already been made at Newhouse Road and agreed that the planned new homes would only enhance this. Board members then **APPROVED** the following recommendations as requested in the report:

- That the Association enter into contract with David Morton Ltd to demolish the existing flats.
- That the Association proceed with issuing the formal tender for the new build properties through Public Contracts Scotland.

The Director of Assets confirmed that a further report would be provided to the Board at the tender stage.

POLICIES for DISCUSSION and APPROVAL

122/19 Design Guide 2019

The Director of Assets referred to his report that set out the key changes made to the Design Guide previously approved by the Board in June 2015. The changes had been made following feedback from new tenants, building contractors, consultants and staff in other departments. Updates in legislation, building standards and British and European standards had also been taken into consideration. A full copy of the revised Design Guide was available to view in the Document Library on Decision Time.

Board members **APPROVED** the revised Design Guide 2019.

123/19 Group Delegated Authority Policy

The Finance Director explained that the Scheme of Delegated Authority approved by the Board in April 2016 had been reviewed to take account of current legislation and changes to work practices as a result of Customer 1st. The changes were summarised in his report with a full copy of the revised policy attached as an Appendix.

Board members **APPROVED** the revised Group Delegated Authority Policy but **REQUESTED** that future project risk appraisals undertaken at acquisition stage identify sign-off costs as a risk. The Director of Assets advised that these costs could not be identified at this stage but that appropriate wording would be added.

124/19 Group Financial Regulations Policy

The Finance Director explained that the Group Financial Regulations Policy that was approved by the Management Board in April 2016 had now been reviewed to take account of current legislation and working practices and structural changes within the Group. This policy detailed financial and other regulations designed to maintain financial control, mitigate risk, comply with regulation and minimise the risk of fraud.

It had been determined that the policy, as amended to take account of the revisions detailed above, remained fully compliant with relevant legislation and met current recommended good practice. The changes to authorisation limits, delegated authorities and staff titles were as detailed in the Group Delegated Authority Policy and the policy therefore remained fit for purpose as amended.

Board members requested the wording for planned and cyclical maintenance budgets be amended to show that the one-quarter of the annual budget that can be committed is not cumulative. Members then **APPROVED** the policy subject to this amendment being made.

125/19 Group Treasury Management Policy

The Finance Director explained that the Group Treasury Management Policy had been reviewed in light of current treasury management practice and after taking into account the Chartered Institute of Public Finance & Accountancy Code of Practice. The existing policy had allowed the Caledonia Group to operate effectively for the past two years and as such the review had not highlighted the need for significant changes other than those noted in the report. The amendments related to changes in wording to reflect the new Customer First staff structure and titles and strengthening the wording of the Liquidity Risk Management section to define reasons for borrowing in advance of need.

Board members **APPROVED** the Group Treasury Management Policy.

ITEMS for INFORMATION

126/19 Rule 68 Update

The Board **NOTED** that Rules 62 to 67 of the Association's Rules had been followed.

127/19 The draft minutes of the Cordale and Bellsmyre Management Committee meetings were **NOTED**.

130/19

129/18 Any Other Business

Ian Gray suggested that articles on the work of the Management Board should be included in future Tenants Newsletters.

It was **NOTED** that the next Management Board meeting would be held on Tuesday 17 September 2019 at McDiarmid Park, Perth. The meeting would follow the AGM which would commence at 3 p.m.

Chair's Signature