

CALEDONIA HOUSING ASSOCIATION LTD

**MINUTES OF THE MANAGEMENT BOARD MEETING
HELD ON TUESDAY 18 JUNE 2019
AT 5 SOUTH ST JOHN'S PLACE, PERTH**

Present:	Penny Coburn Alex McDougall Graham Logan Veronica Lynch Elaine O'Brien	Chair (Item 90.19 onwards)
Special Leave of Absence:	Martin Harkness	
In Attendance:	Guy Thomson Julie Cosgrove Ron Hunter Andrew Kilpatrick Tim Calderbank Garry Savage Barry Johnstone Angela Murphy Jenny Dalton	Kingdom Housing Association (Observer) Chief Executive Finance Director Director of Assets Director of Customer Services Director of Strategy & Innovation Director of People Finance Manager (Items 84.19 to 93.19) Executive Officer (Minutes)

The Chair introduced Guy Thomson and advised that he was attending following a request from Kingdom Housing Association to allow a member of its governing body to attend a Board meeting in order to observe how other RSL's approach governance. The Chair welcomed Mr Thomson to the meeting and invited him to join in discussions. Mr Thomson thanked members for allowing him to attend the meeting.

84/19 Apologies

Apologies were **NOTED** from Alan Nairn, Lindsay Darroch, Helen Archibald and Ian Gray.

85/19 Declaration of Interest

There were no declarations of interest.

86/19 Minutes of the Management Board Meeting held on Tuesday 14 May 2019

The Board **NOTED** that the minutes stated the date of the next meeting as Tuesday 19 June 2019 and asked that this be amended to Tuesday 18 June 2019. The Board then agreed that the minutes of this meeting were a true and accurate record and they were **APPROVED** by the meeting subject to the amendment being made. The minutes were duly adopted with the Executive Officer to arrange from them to be signed by the Chair.

87/19 Matters Arising

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

88/19 Confidential Minutes of the Management Board Meeting held on Tuesday 14 May 2019

The Board agreed that the minutes of this meeting were a true and accurate record and they were **APPROVED** by the meeting. The minutes were duly adopted and the Executive Officer would arrange for them to be signed by the Chair.

89/19 Matters Arising

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

90/19 Management Board Annual Skills and Performance Assessment

The outcome of the Management Board Annual Skills and Performance Assessment Review had been discussed by the Board members immediately preceding this meeting. The Chair confirmed that the Board members present at this meeting were satisfied that the report and its appendices covered the points and issues raised at the Board appraisal meetings held earlier in the year.

The Chair was surprised that financial management training had again been identified by members as an area that required training and development. Given the extensive training carried out by the Group's external auditors over the last year this was unexpected and asked the Chief Executive to establish what further financial training members required. She also requested that members be consulted to find out the most suitable times, dates and venues in an effort to increase attendance at future training sessions.

(Veronica Lynch joined the meeting at this point).

(The Chair left the room while the next item was discussed).

Nine Year Rule

The Director of Strategy and Innovation reminded members of the regulatory requirements to consider the effectiveness of a Board member who had served for nine years and the requirement to review this again after a further three year period. He advised that the Chair had now served on the Management Board for 12 years and her position was therefore required to be reviewed by the Board.

Following review and discussion, members **AGREED** that the Chair's experience and knowledge was a great asset to the Association; that she continued to contribute greatly to the work of the Board and that they were happy for her service to continue.

(The Chair re-joined the meeting at this point).

ITEMS for DISCUSSION and/or APPROVAL

91/19 Chief Executive's Report

Subsidiary Service Level Agreements

The annual review of the Service Level Agreements (SLAs), between Caledonia and Bellsmyre and Cordale undertaken by the Executive Management Team (EMT), had concluded that both Agreements were working well with the services delivered to the subsidiaries providing value for money. Reports on the outcomes of the reviews had been presented to the Bellsmyre and Cordale

Management Committees at their June meetings with copies attached to the Chief Executive's Report for information.

The Chief Executive advised that she had recently met with Cordale's Chair and Vice Chair when they confirmed that they were content with the services provided by Caledonia and had no concerns regarding either the partnership or the support provided. Both office bearers did however express concern regarding succession planning and in particular the lack of interest from tenants in joining Cordale's governing body. Consequently it had been agreed that a survey would be undertaken to ascertain tenants' views on the Management Committee in an attempt to understand why they were unwilling to participate.

Board members discussed the issue of governing body recruitment and suggested that the majority of tenants were more interested in the day to day running of services than in corporate issues. The Chief Executive advised that tenants' views were of major importance to the Scottish Housing Regulator (SHR) and it was crucial that they be encouraged to provide them. However there were other mechanisms for obtaining them such as Area Committees, Scrutiny Panels and electronic surveys.

The Chief Executive further advised that she would be meeting with Bellsmyre's Chair over the summer months to obtain her views on the delivery of the Service Level Agreement.

The Chief Executive advised that the SLA's would require comprehensive review as a result of the implementation of Customer 1st and the associated work to move to one employer for the Group.

Bellsmyre Regeneration and Transfer of Engagements

Recent meetings with the Bellsmyre local community on the regeneration proposals had proved very successful with some suggested changes being made to the design. The Director of Assets was in discussion with the architect in an effort to incorporate these changes into the design; however any material changes would require the approval of the Management Board. The Board were therefore requested to delegate authority to selected Board members to consider these proposals should this be required during the summer recess. Following discussion, Board members **AGREED** to grant delegated authority to the Chair, Alex McDougall and Graham Logan.

Work on the preparation of the business case for the Transfer of Engagements (ToE) had now commenced and discussions with tenants on why the ToE was necessary would be held over the next few months. It was noted that the scope of this work was to be agreed with the Scottish Housing Regulator, including due diligence, and that the CHA's external auditor was of the opinion that it was not necessary to carry out due diligence in this particular instance. It was further noted that any costs incurred for requests by SHR need to be kept under tight control.

Annual Performance Appraisals

Due to the implementation of the new Group structure it was intended to limit the annual appraisals process to the Executive Management Team this year. The Chief Executive's appraisal had been completed by the Chair and Vice Chair and the Chief Executive advised that she would complete the Directors appraisals by the end of June. In addition, the new People Directorate would be reviewing and simplifying the current appraisal system to align with the Customer 1st ethos and this would be in place by the end of the year.

Low Demand Strategy

The Board **NOTED** that the annual review of this Strategy had been undertaken and that no changes had been made.

Policy Review

Group Health & Safety Policy

Board members **NOTED** that the above policy had been reviewed and upgraded to an integrated Group Health, Safety and Wellbeing Policy. This was as a result of the revised focus on current and future employee wellbeing initiatives in line with the strategy of the new People Directorate. The policy would be signed by the Chair and Chief Executive as was required annually.

Group Learning and Development Policy

Members **NOTED** that the review of this policy had been postponed pending the development of a new People Strategy that would incorporate the Group's Customer 1st aims.

Group Protection of Vulnerable Groups and Criminal Record Checks

Members **NOTED** that the review of this policy had been rescheduled to September 2019 to provide for the review of the posts in the new organisational structure against the criminal record check requirements.

Members also **NOTED** the outcome of the reviews of the following policies outlined in the report:

- Group Policy on Dealing with Bullying and Harassment
- Group Anti-Bribery Policy
- Group Anti-Fraud Policy
- Group Whistleblowing Policy
- Group Performance Management Policy

92/19 Draft Minutes of Audit Committee Meeting and Group Risk Map: Wednesday 22 May 2019

The draft minutes were **NOTED**.

The Chair of the Audit Committee congratulated the Vice Chair and Director of Strategy & Innovation on their work on revising the format of the Group Risk Map, which he advised was much improved and easier to read.

93/19 Management Accounts to 31 March 2019

The Finance Manager presented the management accounts for the year ended 31 March 2019 and explained that they were in draft format subject to any changes required following the forthcoming external audit; however it was not expected that there would be any material changes.

The Association achieved an operating surplus for the year of £4.4m (year to 31 March 2018 - £4.3m) and made a net surplus of £1.1m in the year to 31 March 2019 (year to 31 March 2018 - £1.3m). The slight decrease in net surplus was due to pension re-measurement as a result of the requirement to recognise the SHAPS pension liability under new financial disclosure conditions.

Board members expressed extreme disappointment at the major overspend in the service charge budget reported in the accounts coming off the back of being advised in May, after rent increases, that there was a major capex underspend. The Director of Customer Services advised that steps were being taken to manage and monitor costs and redress the balance of this budget going forward and that no additional expenditure would be authorised unless absolutely necessary. The

Chief Executive also assured members that systems would be tightened up going forward to ensure this did not happen again.

Following a query on the Leuchars expenditure, the Chief Executive advised that a report on the current position and future options for the Leuchars Care Home would be presented to the August Board meeting.

(The Finance Manager left the meeting at this stage).

94/19 Scottish Housing Regulator Loan Portfolio Return

The Finance Director explained that the Return was issued annually by the Scottish Housing Regulator (SHR) in order to collect information on borrowing and other funding arrangements. This information assisted the Regulator in assessing the regulatory risks faced by the Association and the wider housing sector and also helped to inform the level and type of engagement required.

The Board **AUTHORISED** submission of the Loan Portfolio Return to the SHR.

95/19 Five Year Financial Projections – SHR Submission

The Finance Director presented the report and explained that, as indicated previously, the formula used by the Scottish Housing Regulator for the calculation of interest cover and gearing covenants differed to the methodology used by our lenders and detailed in our loan documentation. This had substantially affected the ratio projections.

The Board **APPROVED** the submission of the Five Year Financial Projections and Assumptions to SHR.

96/19 Annual Governance Report

The Director of Strategy & Innovation presented the report and asked members to note that this year's AGM would be held on the afternoon of Tuesday 17 September 2019 at McDiarmid Park, Perth. He advised that members who had transferred over from Antonine HA would be encouraged and supported to attend the AGM.

Following the Board members annual review meetings in the Spring, one member had stated their intention to resign from the Board at the AGM, which would leave three vacancies, assuming that those members who were required to seek re-election were elected. One place on the Board had been kept open for a member of the Area Committee covering the East Dunbartonshire and North Lanarkshire areas in line with the transfer commitments made to the Antonine tenants however there had been no interest to date. The issue would be discussed again at the next meeting of the Area Committee on 27 June when confirmation would be sought from the group's members as to their position with regards the place on the Caledonia Board.

Following discussion, members then **AGREED** that a formal recruitment drive should be undertaken to fill the vacancies taking account of specific skill sets to ensure there was a balance of skills and experience on the Board. Members also stressed the need to ensure that applicants were made fully aware of what would be expected of them as Board members.

Members also **NOTED** that the review of the Group governance arrangements would now commence in September 2019.

97/19 Development and Planned Maintenance Update

The Director of Assets presented the report and advised that the smoke detector installation programme was progressing well with 20% of installations carried out to date. It was noted that all smoke detectors have been purchased ready for installation.

The Association was also on target to meet the current Energy Efficiency Standards for Social Housing (EESH) by December 2020, with the exception of exemptions and abeyances. The Scottish Government was now considering the next level of energy efficiency improvements (EESH2) to be announced later this year. That would require homes to meet a number of new energy efficiency requirements over the next 20 years with the ultimate goal of all existing housing being zero carbon by 2040. Achieving this target would be challenging for the Association and substantial investment would be required.

Tenders Received by the Association

Members **NOTED** the tender information detailed in the report and that the contracts had been awarded as follows:

Kitchen Replacements – Various Developments	L & D Building Services
Grounds Maintenance – Perthshire North	Countrywide
Grounds Maintenance – Perthshire South	Nurture Ltd
Grounds Maintenance – Dundee North & Angus	Angus Council
Grounds Maintenance – Dundee South & Fife	Resolution
Grounds Maintenance – East Dunbartonshire & North Lanarkshire	Resolution

With regards to the grounds maintenance contracts, in an effort to avoid the recurrence of previous poor contractor performance due to contractors over-extending themselves, , the Director of Assets explained that the grounds maintenance contracts had been awarded on the basis of no single contractor being awarded more than two areas.

Following a query from members, the Director of Assets confirmed that all tenders had been checked by the Association's quantity surveyor to ensure they were priced correctly with careful consideration given to how the contractor planned to deliver the work. He further advised that the kitchen replacement contract had commenced and was working well to date.

Planned Maintenance Programme 2019/20

Members **NOTED** the update on the planned maintenance programme for 2019/20 attached to the report and that the key dates and spend targets for the programme would be monitored to avoid repetition of the underspend that occurred in 2018/19. Also if dealing with contractors we had not previously dealt with strong financial due diligence would be carried out too. It was also **NOTED** that where delays were unavoidable alternative projects would be identified as early in the year as possible

97a/19 Crieff Road, Perth

The Director of Assets reminded members that this report had been deferred at the May Management Board meeting and advised that the questions raised by members at that meeting had been addressed in the revised report.

The Director of Assets then referred to the six options available to the Association for the project as detailed in the report as follows:

- Option 1 – Continue with the current proposals
- Option 2 – Partial redevelopment of the site
- Option 3 – Abort the whole project
- Option 4 – Redevelop for private housing for sale
- Option 5 – Redevelop for private housing for shared equity
- Option 6 – Redevelop for private rental

The Board considered these options, taking into account the financial implications and risk implications of each. The Chair of Audit and Risk Committee was given assurance that the expenditure to date on Fees and Other Costs was within delegated authority levels. It was agreed that these would be included within the Customer First review of Governance matters. Following detailed discussion, members concluded that Option 1 was the best financial option and **APPROVED** the recommendation that this option be progressed on the basis that there were no further changes to Scottish Water’s drainage requirements that would result in increased costs.

POLICIES for DISCUSSION and/or APPROVAL

98/19 Group Asset Management Strategy Update

The Director of Assets advised that the Group Asset Management Strategy had still to be considered by Bellsmyre and Cordale’s Management Committees. It would also be widely circulated to customers for comment. Should any major changes be proposed, then the revised Strategy would be reported to the August Board meeting for approval. The Board **APPROVED** the Draft Group Asset Management Strategy on this basis.

ITEMS for INFORMATION

99/19 Draft Minutes of the Health and Safety Committee Meeting on Friday 24 May 2019

The draft minutes were **NOTED**.

100/19 Draft Minutes of Bellsmyre and Cordale HA May Committee Meetings

–

103/19

The draft minutes were **NOTED**.

104/19 Any Other Business

The Chief Executive advised that she met with the two shortlisted candidates for the Director of Finance and Governance vacancy on Monday 17 June 2019. The post had been offered to one of these candidates who had accepted in principle. The Chief Executive confirmed that she would provide full details to the Board once formal acceptance was received.

It was **NOTED** that the next meeting would be the Audit Committee meeting on Wednesday 7 August 2019 in the Association’s Perth Office.

It was **NOTED** that the next Management Board meeting would be held on Tuesday 20 August 2019 in the Association’s Perth Office.

Chair’s Signature