

CALEDONIA HOUSING ASSOCIATION LTD

MINUTES OF THE MANAGEMENT BOARD MEETING
HELD ON TUESDAY 29 OCTOBER 2019 AT 6:00 pm
AT THE SALUTATION HOTEL, SOUTH STREET, PERTH

Present: Alan Nairn Chair
Alex McDougall
Helen Archibald
Graham Logan
Ian Gray
Mary Clark
Lindsay Darroch

Special Leave
of Absence: Martin Harkness

In Attendance: Julie Cosgrove Chief Executive
Leigh Grubb Director of Finance & Governance
Garry Savage Director of Strategy & Innovation
Barry Johnstone Director of People
Andrew Kilpatrick Director of Assets
Tim Calderbank Director of Customer Services
Gill Donoghue Strategy & Improvement Manager (Items 152.19 to 158.19 only)
Jenny Dalton Governance Officer (Minutes)

Alan Nairn welcomed Mary Clark to her first Management Board meeting and advised that he would be chairing the meeting in Penny Coburn's absence.

152/19 Apologies

Apologies were **NOTED** from Penny Coburn and Veronica Lynch.

Board members **NOTED** that Martin Harkness hoped to return to the Management Board in December but would be standing down from the Audit & Risk Management Committee.

153/19 Declaration of Interest

There were no declarations of interest.

ITEMS for DISCUSSION and/or APPROVAL

154/19 Minutes of the Management Board Meeting held on Tuesday 17 September 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.

155/19 Matters Arising

Item 146/19 – Draft Minutes of Health, Safety & Wellbeing Committee Meeting: 29 August 2019 The Director of People advised that he would be contacting the Group's solicitors to clarify whether the Driving for Work Policy should apply to governing body members.

Scottish Government – No Deal Brexit

The Chief Executive outlined the contents of a recent Scottish Government paper on preparations for a "no deal" Brexit. The paper highlighted a number of areas of concern including the potential impact on low income households of potential price rises and availability of goods and indicated that the number of people in poverty was likely to increase, placing greater demand on public services. The Chief Executive advised that this was an area that could have significant impact on rent payments and recovery of outstanding arrears across the Group and that this would continue to be monitored over the coming months and support provided as appropriate. She also indicated that, as the Group moved into its business planning and rent consultation cycle, consideration would need to be given to the potential impact Brexit may or may not be having on residents. Following a recommendation in a recent letter from the Scottish Housing Regulator (SHR) the resilience of the Business Plan would also be tested to ensure the Group would cope with any risks Brexit might bring.

The Chief Executive explained that there were some suggestions that lenders may have more concern in the event of a second Scottish independence referendum and what currency would be in use should this be successful. As part of the Group's Treasury Management Policy, future funding requirements are being reviewed with the assistance of its treasury advisers

Governance Review Group and Annual Strategy Review

The Chief Executive explained that the work of the Governance Working Group, formed to review evidence and compliance with the new SHR regulatory framework across all partners in the Group, had now concluded. Within the self-assessment process a number of areas had however been identified for examination as part of the planned review of governance.

In order to take forward the review of the Group governance arrangements, it was now proposed to establish a new Governance Review Group (GRG) drawing membership from the respective governing bodies, TSP and Area Committee to ensure there was a wide representation across locations, tenants and partners. A revised Terms of Reference had been drafted and was included with the Chief Executive's report for Board approval. The Chief Executive advised that it was also proposed to appoint experienced external consultants to provide support to the GRG when considering future governance arrangements.

Board members **ENDORSED** the establishment of the new Governance Working Group and **APPROVED** the associated Terms of Reference. They also **DELEGATED AUTHORITY** to the GRG to procure and appoint consultants to support their work

The Chief Executive referred to the September Board meeting, when members agreed to postpone this year's annual strategy away day until after the governance review work had been concluded. The Chief Executive explained that, in the interim, the Executive Management Team (EMT) would review this year's business strategy to update the SWOT and PESTLE analysis, and assess current issues within the operating environment and the corresponding impact that they may have on current business objectives. The intention was to hold a briefing session with each respective governing body in late November 2019 to discuss these issues which would in turn help to formulate key parts of the overall Business Plan.

It was **NOTED** that the Governance Officer would contact members to ascertain their interest in participating in the Governance Review Group and to establish a convenient date and time in late November for the briefing session.

Group Audit & Risk Management Committee

The Chair advised that Ian Gray had confirmed his willingness to fill the vacancy on this Committee on a permanent basis. His appointment was then **APPROVED** by the Board.

Customer 1st Working Group

The Chief Executive provided a verbal update on the meeting that had been held earlier that day. She advised that the new directorate structure was now in place with staff members in their new posts. A small number of posts remained vacant however these were in the process of being filled. A new management system had been rolled out with hub, area, region and management meetings now taking place. Testing was being carried out on the consolidated Group database, which was expected to "go live" on 5 November. Following this, the tenants' portal would be made available to all tenants within the Group. Emphasis was now on ensuring the cultural and behavioural changes required to fulfil the Customer 1st objectives were in place and these would be launched at the Group staff conference being held on 31 October.

The Board queried where tenant participation would sit within the new operating model. The Chief Executive explained that consideration of how to better engage and build relationships with tenants would be part of the forthcoming governance review.

Appointment of Internal Auditors

The Chief Executive advised that following the tender exercise, two applicants, MHA Henderson Loggie and BDO had been interviewed by a Panel consisting of the Director of Finance & Governance, the Chair of the Audit and Risk Management Committee, and a further member of the committee. The Panel were impressed by the professionalism and quality of both of the providers but expressed a clear preference for MHA Henderson Loggie on the grounds outlined in the Chief Executive's report. The Panel recommended that MHA Henderson Loggie be appointed as the Group's Internal Auditors for the next three years. The recommendation was **APPROVED** by the Board members.

Authorised Signatories

The Board **APPROVED** the addition of Leigh Grubb, Director of Finance & Governance to the restricted list of authorised signatories for all relevant arrangements, including banking and lending arrangements, in line with the Group Financial Regulations and Scheme of Delegated Authorities. The Board also **APPROVED** the removal of Ron Hunter, the previous Finance Director, as an authorised signatory.

Perth Office

The Chief Executive provided an update on the remedial works being undertaken as a result of the water damage to the Perth Office, and the alternative arrangements that had been put in place.

Board Recruitment

Board members **APPROVED** the co-option of Andrew Richmond to the Management Board, subject to the approval of his membership application being considered later on the Agenda.

Policy Review

The Board **APPROVED** the minor amendments to the following policies as outlined in the report:

- Group Anti-Money Laundering Policy

- Group Business Continuity Management Policy
- Group Entitlements, Payments and Benefits Policy

Members asked that it be **NOTED** in the minutes that although they had also **APPROVED** the amendment to the Stage 3 Adaptations Policy stating that, "when setting budgets for the forthcoming financial year, the Management Board would consider allocating additional funding for adaptations to allow work to continue should Scottish Government funding run out" members did so on the basis that they had no option, as to do otherwise would be detrimental to those tenants who required such work to be carried out.

Scottish Housing Regulator – Letter

The Chief Executive referred to the letter from SHR referred to earlier in her report, a copy of which had been provided to Board members. As well as the potential impact of Brexit, the letter also raised concerns regarding tenant and resident safety and cyber security.

With regard to tenant and resident safety, the Director of Assets was working to identify all related contracts, (electrical testing, gas servicing etc), and would report to the governing bodies in December confirming that the contracts were in place and providing updates on their delivery. The Chair advised that it was important that governing body members were aware of their responsibilities under the relevant Health & Safety legislation. He also reminded members that the Group would be required to comply with the terms of Freedom of Information (Scotland) Act 2002 (FOISA) from 1.1 November 2019.

The Chief Executive confirmed that the issue of cyber security would also be given further consideration to ensure that Group's arrangements were robust.

157/19 TUPE Transfer and SHAPS Transfer Arrangements

The Chief Executive advised that the report applied only to Cordale staff, as Bellsmyre staff members would be transferring to Caledonia under the Transfer of Engagements.

A requirement of The Pensions Trust (TPT), who manage the Scottish Housing Associations Pension Scheme (SHAPS), for approving the transfer of the pension liability from Cordale to Caledonia, was that Cordale provide a guarantee to TPT that Cordale would assume its pension liabilities should Caledonia default on its obligations. There had been considerable debate as to the whether the existing wording of Cordale's rules was sufficient to provide this guarantee, with Caledonia and Cordale's legal advisers deeming they did, and TPT's legal advisers deeming they did not. The parties were now seeking Counsel's opinion to allow the matter to be resolved, with the decision likely to be received in early November. In the meantime "in principle" approval had been received from lenders, subject to this issue being resolved.

Following discussion, the Board **APPROVED** the proposal to accept the transfer of the pension liability and staff from Cordale subject to the appropriate Counsel's opinion and on the basis that:

- Transfer of the pension liability was consistent with Caledonia's charitable status.
- The costs relating to the pension deficit (enhanced pension contributions) would be recharged to Cordale via an amended Service Level Agreement (SLA).
- Cordale provided a guarantee to The Pension Trust that it would assume its pension liabilities in the event that Caledonia defaulted on its obligations.

158/19 Bellsmyre Transfer of Engagements Business Case

The Strategy & Improvement Manager explained that, given the current constitutional partnership between Caledonia and Bellsmyre, the SHR had agreed to a more streamlined

Business Case that reflected the need to ensure that any organisational changes or disposals safeguarded the interests of, and benefit to, current and future tenants.

The draft Business Case had been considered in detail and approved by Bellsmyre's Management Committee at its meeting on 21 October 2019. Bellsmyre members had, however, requested that an additional transfer commitment be added. This related to undertaking an options appraisal exercise for the non-standard construction homes within the Bellsmyre area. Members had also asked that the tenants be consulted/involved in this exercise. Members further requested that consideration be given to any potential financial risks relating to the housing association grant funding provided previously to Bellsmyre for the Valeview Terrace site in Bellsmyre and that more detailed information on the key elements of the investment proposals be provided to tenants as part of Stage 1 of the formal tenant consultation process.

The Chair stressed the need to reduce the risk involved in the regeneration programme and to ensure that it could be halted at the end of each phase if required. The Director of Assets advised that risk would also be minimised by investing in stock that residents wished to live in, undertaking estate improvements in general as well as investing in stock that was not included in the regeneration programme.

The Director of Finance & Governance commented on the financial implications for Caledonia of proceeding with the transfer and noted in particular the relative strength of the financial covenants following the combination of the two associations.

The Management Board acknowledged the work undertaken to date and subsequently **APPROVED** the Transfer of Engagements Business Case.

(The Strategy & Improvement Manager left the meeting at this point)

159/19 Group Annual Assurance Statement

The Director of Strategy & Innovation presented the report and reminded members that the draft Group Assurance Statement had been considered and discussed in detail with the Bellsmyre and Cordale Management Committees at their respective meetings on 21 and 22 October 2019, and by Caledonia Management Board members at a meeting held on 23 October 2019 to specifically discuss the Assurance Statement. The Bellsmyre and Cordale Management Committees had confirmed that they were content with the Assurance Statement and were in agreement with this being formally approved by the Caledonia Management Board. At the meeting on 23 October the Caledonia Management Board members present had confirmed the format and content of the Assurance Statement, taking account of the outcomes from the Bellsmyre and Cordale meetings.

Members acknowledged the extent of work that had been required to produce the Annual Assurance Statement. This included the creation of a Governance Working Group (GWG) that had assessed the Group's compliance against the SHR framework and consultations with each of the governing bodies as well as members of Caledonia's Tenants Scrutiny Panel. Members therefore **AGREED** to Alex McDougall's request that this be set out in a covering letter to SHR to be sent with the Annual Assurance Statement.

Members thanked the members of the GWG and noted that the Caledonia Board Chair had also wished her thanks to be noted for their efforts and **APPROVED** the Group Annual Assurance Statement. Arrangements would now be made for the Statement to be signed by the Chair prior to submission to the SHR on 31 October 2019. It was also **NOTED** that the Action Plan arising from the GWG would be monitored on a regular basis by the Group's governing bodies. The Director of Strategy & Innovation was **REQUESTED** to develop a format for this, based on either reporting direct to the governing bodies or through the Audit & Risk Management Committee. This would be confirmed at the December Management Board meeting.

160/19 Business Plan 2019/24 – Implementation Plan Quarter Two Update

The Director of Strategy & Innovation presented the report and advised that 9 of the 16 (63%) actions due to be carried out over the second quarter had been completed. Over the first six months of the year 28 of the 37 (76%) noted actions had been completed. Updates on each of the initiatives were provided in the progress update notes section of the report. Members were asked to note that the majority of the non-completed actions related to the revised timescales for the Bellsmyre Transfer of Engagements Business Case and the governance review.

Alex McDougall requested that the Progress Update Notes be amended to state the date when Bellsmyre's Committee approved the Business Case as October 2019 and not August 2019. He also queried whether the Rent Policy Review included service charges. The Director of Customer Services confirmed that it did. It was **AGREED** that the Progress Update Notes should be amended accordingly. Alex McDougall also advised that the Bellsmyre Committee had asked to be with provided rent comparison information and the Director of Customer Services confirmed that this would be provided for their next meeting in December.

161/19 Management Accounts for the Six Month Period Ended 30 September 2019

The Director of Finance & Governance advised that the accounts had been prepared in accordance with the original budget agreed in February 2019. The revised budget agreed at the September Board meeting would be implemented across the organisation in terms of budgetary control as of 1 October 2019, and actual v revised budget would be reported to the Board in the next quarter. He highlighted that relet repairs spend was over budget in the first six months of the year and that this was mainly due to some larger than usual voids. Cash balances are being monitored carefully, with a further drawdown of funding expected in the coming months in view of projected spending on planned maintenance on new developments.

162/19 Governing Body Members Learning & Development

The Director of Finance & Governance presented the report and explained that feedback received from governing body members had been used to develop the learning & development plan outlined in the report. The plan would be implemented on a rolling three year cycle and delivered in a variety of ways to allow as many members as possible to benefit from the training. An annual plan would also be agreed with the Chair in June of each year. The proposed plan for the remaining six months of the financial year was outlined in the report.

Members **NOTED** that the Freedom of Information briefing session scheduled in the Annual Plan would be carried out by Harper McLeod and requested that this be delivered as a priority given that the legislation would apply to RSL's in the new few weeks. Members also stressed the need to ensure the Association's AV and IT equipment was tested and therefore fully operational for any future meetings and training.

163/19 Applications for Membership of the Association

The Management Board **APPROVED** the applications for membership from Margaret Deuchars and Andrew Richmond.

164/19 Membership Review

Management Board **APPROVED** the withdrawal of the memberships listed in the report.

165/19 Development and Planned Maintenance Update

The Director of Assets explained the potential underspend in the planned maintenance programme caused by delays to the proposed remodelling of Lisden Court, Kirriemuir. He advised that although a significant number of alternative projects had been identified they were unlikely to cover the entire underspend. The Chair stressed the need to ensure the alternative projects were delivered by the end of the financial year in order to avoid a major underspend in the planned maintenance programme as had occurred in 2018/19.

Members **NOTED** the contents of the letter received from the YMCA relating to the potential development of a site the YMCA owned in Atholl Street, Perth. The background to the project, timeline and the Association's response to the points raised in the letter as outlined in the report were also noted. The Chief Executive also provided an update on the discussions she had with two representatives from YMCA on 25 October 2019. The representatives had asked for additional time to pull information together and the Chief Executive advised that an update would be provided to the December Management Board meeting.

166/19 Acquisition and Development Stage Project Risk Appraisal – Rosebank Primary School, Dundee

The Director of Assets explained that the Association had been working closely with Discovery Homes to develop proposals for affordable housing for this site. Agreement had been reached 'in principle' to proceed with the development on the basis of the details set out in the appraisal. As part of the Association's drive to deliver zero energy homes, the project would be built to standards that would significantly reduce the energy costs for customers. He added that the homes would be largely constructed off-site to ensure that quality and air tightness achieved the required energy standards. This would also have the benefit of reducing the contract period from a standard 52 weeks to 30 weeks. The project would be monitored closely by CHA staff with the view to replicating the standards and construction method on future sites if it proved successful.

Board members **APPROVED** the following recommendations:

- to purchase the land for the new housing development as set out in the report, and
- to enter into a Design & Build contract with Discovery Homes for the design and construction of the development.

167/19 Development Stage Project Risk Appraisal – Atholl Road, Pitlochry

The Director of Assets reminded the Board that it had agreed to purchase the site from Monument Leisure Ltd in October 2016, with the site being acquired in February 2017. A tender process was conducted during 2018, however the costs that were returned were significantly over the original budget. A revised tender was conducted using a full Bill of Materials that brought the cost closer to the original budget. A further exercise of value engineering with the chosen contractor enabled a final budget figure to be agreed. Full planning approval was also in place for the construction of 12 flats.

Board members **APPROVED** the recommendation that the Association enter into a Design & Build contract with Alan Munro Construction for the construction of the development, subject to receiving a satisfactory Offer of Grant from the Scottish Government.

168/19 Purchase Recommendation – Unit 23, Morgan Street, Dundee

The Director of Assets explained that the unit was adjacent to a site previously acquired by Caledonia in March 2017 and would enable a further 8 units to be provided as part of the

overall development. Board members **APPROVED** the purchase of this proposed development site.

GROUP POLICIES for DISCUSSION and/or APPROVAL

169/19 Freedom of Information (Scotland) Act 2002 (FOISA) – Extension to Registered Social Landlord (RSLs)

The Director of Finance & Governance advised that as highlighted earlier on the Agenda, RSLs would be classed as public bodies for the purpose of FOISA from 11 November 2019. From this date individuals would have a formal right, subject to various provisions and exemptions, to request information held by an RSL that related to its public functions. This would mean that governing body papers would be in the public domain, with the exception of personal information, which was governed by Data Protection legislation, and commercially sensitive information such as information shared by contractors with the Group during procurement processes and which could (or would be likely to) prejudice substantially the commercial interests of that contractor. In both these cases, this information would be redacted within the papers before being made public.

There was some discussion on whether FOISA legislation would extend to notes made by members on Decision Time, emails between Board members from personal email accounts and other related information. The Board were advised that this was something of a grey area as it had not been fully tested under case law and that further guidance would be provided as it became available.

Management Board **APPROVED** the Group Freedom of Information and Environmental Information Policy and the decision to retire the current Group Openness and Transparency Policy, it being deemed no longer fit for purpose.

ITEMS for INFORMATION

**170/19 – Draft Minutes of Bellsmyre and Cordale Management Committee September
171/19 Meetings**

The draft minutes were **NOTED**.

172/19 Any Other Business

It was **NOTED** that the next Audit & Risk Management Committee meeting would be held on Wednesday 4 December 2019. The venue for this meeting was still to be confirmed.

It was **NOTED** that the next Management Board meeting would be held on Tuesday 10 December 2019. The venue for this meeting was still to be confirmed.

There being no other business, the meeting was concluded at 8:10pm.

Chair's signature 