

CALEDONIA HOUSING ASSOCIATION LTD

**MINUTES OF THE MANAGEMENT BOARD MEETING
HELD ON TUESDAY 28 JANUARY 2020
AT THE PARKLANDS HOTEL, ST LEONARD'S BANK, PERTH**

Present: Penny Coburn Chair
Alan Nairn Vice Chair
Mary Clark
Ian Gray
Martin Harkness
Graham Logan
Veronica Lynch
Alex McDougall
Andrew Richmond

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)

The Chair regretfully informed members of the recent passing of Tom Band a former Chair and long standing member of Perth Housing Association's Management Committee who had contributed greatly to the work of that Association. The Chair advised that she would write to the family on behalf of Caledonia Housing Association expressing condolences.

1.20 Apologies

Apologies were **NOTED** from Helen Archibald and Lindsay Darroch.

2.20 Declaration of Interest

Ian Gray and Mary Clark declared an interest in Agenda Item 9.20 - 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.

3.20 Draft Minutes of the Remuneration Committee Meeting held on Tuesday 10 December 2019

The Chair advised that the contents of these minutes had been discussed at the Board members only meeting immediately prior to this meeting. The Board members were satisfied that the Remuneration Committee had given thorough consideration to the information provided to them and had **AGREED** the proposals outlined in the minutes as follows:

- The current arrangement regarding voluntary overtime in holiday pay calculations be made permanent.
- All Caledonia staff to receive a 2% cost of living increase with the new Voluntary Living Wage rate of £9.30 being adopted for relevant staff.

- The HR Manager consider the most appropriate way to deal with the impact of recent increases in respect of the voluntary living wage gradually reducing the pay differential within the lower end of the Caledonia pay scale.

Subject to affordability, the above proposals would be applied from 1 April 2020.

Board members had also **APPROVED** the Remuneration Committee's proposal to amend the Group Entitlements, Payment and Benefits Policy to enable *ad hoc* payments of up to £50 as incentives to encourage staff engagement and share recognition initiatives.

4.20 Draft Minutes of the Management Board Meeting held on Tuesday 10 December 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.

5.20 Matters Arising

Item 177.19 – Chief Executive's Report – Annual Assurance Statement (AAS) The Chief Executive advised that she had received an email from the Scottish Housing Regulator (SHR) regarding their recent visit to study our preparations and experience of producing the AAS. No issues or concerns had been raised by SHR however the email would be circulated to all Group governing body members for information purposes.

Item 188.19 – Any Other Business – Freedom of Information Training for Board Members The Vice Chair advised that the session, facilitated by Harper McLeod, had been informative and a number of issues had been discussed. The provision of Caledonia email addresses and the document retention policy for Board members had been raised at the session and were currently being considered by the Executive Management Team (EMT). A joint FoI training session for the Bellsmyre and Cordale governing body members was being arranged.

ITEMS for DISCUSSION and/or APPROVAL

6.20 Chief Executive's Report

Customer 1st Working Group

The Chief Executive advised that the Customer 1st Working Group (CFWG) met on 9 January 2020 to discuss progress to date and the next steps in the transformation. Discussions had covered the 'five pathways' within the programme:

Organisational Development

The focus of attention was now on creating and embedding cultural change to support the ethos of 'Keep it Simple, Keep it Personal and Make it Right'. Work this year would continue to focus on embedding the culture further through additional training events. The CFWG had requested that a combined event on culture be held for all Group governing body members. This was due to be held on Thursday 13 February and would be designed to share the key messages discussed with staff to ensure that the governing bodies had an opportunity to understand the behaviours and cultural shift that the Group was seeking to achieve.

Process Improvement

Three major improvements had been achieved. The first was the consolidation of the 3 databases across the Group. The second was the creation of the Strategy and Innovation Directorate. Finally, changes to the management information systems and reporting was providing frontline staff with the information to manage their areas of the business and to make informed decisions.

Technology

In conjunction with external advisers, Tullitec, the IT strategy and roadmap were being finalised. This would include the implementation of the Electronic Document Management System (EDMS). The aim was to present the IT Strategy to the Board at the February meeting.

Customer Engagement

To date 900 Caledonia tenants had signed up to the Connect portal. The consolidation of the Group databases now allowed the portal to be rolled out to Bellsmyre and Cordale tenants and work would now focus on promoting Connect to these tenants and the remaining Caledonia tenants via wider communication and publicity.

Customer satisfaction in the quarter to December 2019 had shown a reduction in levels of satisfaction, which coincided with the transition to the new structure from October onwards. The CFWG discussed this in detail and noted that this survey was based on a very small sample size and was collated in a different format and approach to the wider face to face survey used as a benchmark of performance. Further analysis linked to the customer profiles and locations would be taken forward to determine the reasons for the shift in satisfaction.

Employee Engagement

The staff survey software OfficeVibe had shown an upward trend in staff morale and sentiment following the conclusion of the cultural changes. This would continue to be monitored in the People Directorate Department Plan. Coupled with personal training plans, development and coaching for managers and team leaders, further work to embed the cultural change programme and revision of key HR policies and procedures would underpin the transformation.

A final meeting of the CFWG would be held in April, focusing on reviewing 'lessons learned', what had gone well and what areas could have been improved or revised for any future initiatives.

Residential Care Unit – Leuchars

The Chief Executive advised that 8 residents had secured alternative accommodation leaving only 2 residents still to find alternative accommodation. Work was ongoing with the remaining residents, their representatives and the Fife Health and Social Care Partnership, to identify suitable alternative accommodation.

Support and training was being provided to affected staff including assistance with updating CVs and interview techniques. Information on internal vacancies across the Group would be provided to the relevant staff.

Governance Review Group

The first meeting of the Governance Review Group (GRG) would take place on 30 January. The meeting would focus on the proposed outcomes from the review, the role of governance, and how this should be restructured across the Group taking account of the regulatory standards and legislative requirements, and to ensure that the tenants' voice is maintained and enhanced, duplication is removed, and reporting is streamlined. The brief for the possible engagement of consultants would also be discussed by the GRG.

It was noted that a revised set of Model Rules had been issued by SFHA, the review of governance arrangements would take these into account.

Stage 3 Adaptations – Funding

The Chief Executive referred to the Management Board's previous decision to cover the shortfall in the Scottish Government's funding of Stage 3 adaptations by increasing the budget provision from our own resource and the concerns raised by Board members that the shortfall was being funded through rental income. At the Chair's request the Chief Executive had contacted the SFHA to express the Association's concerns and seek support to raise the issue with the Scottish Government. SFHA advised that a number of RSL's had also highlighted the shortfall in the Government's funding and that SFHA had already submitted evidence to the Government and raised this directly with Ministers. However it was the SFHA's intention to refresh and ramp up the campaign. This would involve further meetings with civil servants and Ministers, press and other opportunities to raise the profile of the topic. In the interim the SFHA had requested that we provide them with what we anticipated would be the shortfall in this year's budget and to provide any real life examples of people affected by the lack of funding. This information would be provided to the SFHA. However the Board noted that these actions were unlikely to be reflected in the financial year 2020/21

Housing Vision 2040

The Chief Executive advised that the Scottish Government was holding a series of stakeholder events to gather views on their draft vision on how home and communities should look and feel in 2040 and the options and choices to achieve the vision. The events were being held in Glasgow and Edinburgh on 5 February and 17 February respectively. Board members were asked to inform the Governance Officer if they wished to attend either of the events.

Transfer of Engagements Update

The SHR had concluded their consideration of the Bellsmyre Business Case. No significant areas of concern had been raised and the SHR had been content for the Bellsmyre transfer to move to the next stage of formal tenant consultation. The Tenants Information Service (TIS) had also considered the Business Case in detail and had no areas of significant concern had been identified. A copy of the Business Case had also been sent to Bellsmyre's and Caledonia's lenders for consideration. Confirmation had been received from GB Social Housing that they were content with the transfer proposal and the Director of Finance & Governance would liaise with the other lenders to seek their approval to the proposals before the end of March 2020.

Formal consultation notices had been sent to both Bellsmyre's tenants and factoring service customers with an open day event for residents on the transfer and engagement proposals having been held on 14 January 2020

Home visits to tenants to highlight the proposals and to assist with a positive response to the voting process had commenced on 15 January 2020 - to date 51% of tenants had been spoken to directly. A second round of home visits had commenced in an attempt to speak directly to the remaining tenants. The importance of voting was being stressed to all tenants and factoring service customers.

Pending the outcomes of the formal tenant consultation activity, the next key stage would involve the progression of the tenants' ballot on the transfer proposal. Further information on this would be provided at the next Board meeting in February.

Electronic Document Management System (EDMS) Update

The Director of Strategy & Innovation (DSI) advised that a detailed procurement process had been undertaken during September - December 2019 and in line with Scottish Government and EU procurement requirements. Four tenders from potential suppliers had been received. One had subsequently been discarded as it was not submitted in line with the tender process requirements.

The others were subject to a detailed price/quality assessment, including interviews with each of the tenderers.

On conclusion of the combined price and quality assessment M-Files were found to have achieved the highest tender score. Following a review of the contract provisions by the Association's solicitors last month, M-Files were subsequently appointed to deliver an EDMS for the Group.

Following a query from the Vice Chair on the timetable for implementation of the system, the DSI advised that it was anticipated that the design process would be undertaken between late February and early March 2020.

Homologation of Urgent Decision

The Chief Executive advised that in accordance with the urgent decision and delegation procedure within the Group Standing Orders the Chair of the Management Board and Chair of the Remuneration Committee had approved a settlement agreement and payment to a Caledonia staff member. This decision was now being brought to the full Board membership for homologation. Board members **NOTED** the recommendations in the Chief Executive's report and **HOMOLOGATED** the decision by the Chairs.

Group Recruitment and Selection Policy

Board members **NOTED** that the Group Recruitment and Selection Policy had been reviewed in accordance with the policy review timetable and no material changes were required at this time. Members also **NOTED** that as a full review of recruitment and selection would be undertaken as part of the new People Strategy, this may necessitate a further review of the policy.

7.20 Management Accounts to 31 December 2019

The Director of Finance & Governance (DFG) presented the management accounts for the nine months to 31 December 2019 and highlighted the adverse variances. The variances had been offset by a forced reduction in the Association's planned maintenance spend. This was deemed to be necessary by the EMT in order to maintain interest cover at an appropriate level.

The DFG explained that the result of a detailed reforecasting exercise undertaken with Asset Management and Customer Services had concluded that the anticipated net surplus on service charges fell short of the budgeted 10% margin. This variance was due to a combination of factors, including a previous charge-setting approach that had focused on historic rather than anticipated costs, and increased costs through changes in the contractors.

The Vice Chair queried why the service charge overspend had not come to light when the six month management accounts reported to the Board. The DFG explained that the extent of the overspend was not apparent at that time and that the service charges spend forecast had been based on the expected outturn and not actual costs. The DFG also advised that the reforecasting exercise had focused on corrective action to ensure that future service charge costs were based on actual costs in the context of future budget setting.

The Director of Assets (DA) advised that no further planned maintenance spend would be committed this financial year. The DA was also looking to identify savings in other areas.

The Chair expressed disappointment that reductions were again having to be made in this area. The DFG explained that other budget areas were fixed and it was not possible to make savings in these areas. The decision had not been taken lightly but was necessary at this stage.

Board members asked whether any of the affected planned maintenance projects could be commenced this financial year should savings be identified in other areas. The DA advised that any savings would need to be identified in the next two weeks if these projects were to begin this financial year.

It was noted that the stage 3 adaptation budget figure had been reached and the Board discussed whether this work should continue or be deferred until the next financial year. The Board also considered the suggestion that the Association proceed with small-scale adaptation work and defer any major work until the next financial year. Following consideration, it was agreed that if the Executive Management Team could find savings elsewhere within the existing budget then the decision whether to proceed with smaller work be delegated to them.

8.20 Draft Budget for the Five Year Period to 31 March 2025

The DFG presented the budget notes and detailed draft five year budget for the period 2020-25. The Board was advised that the budgets had been the subject of detailed analysis by the EMT and included the new Directorate costs for financial year 2020/21. He advised that the draft budget was based on a rent increase for 2020/21 of 2.7%. This was set out in the Rent and Service Charge Setting Policy and Rent Increase Proposals Report later on the Agenda. The DFG advised that a second draft budget based on the agreed rent increase and reflecting the previous discussions on service charges and factoring costs would be presented to the Management Board in February for approval.

The DFG explained that as the proposed Transfer of Engagements (ToE) of Bellsmyre HA would not be concluded before the start of the 2020/21 financial year, the net assets of Bellsmyre had not been incorporated within Caledonia's draft budget. A similar approach had been used when drafting the 2020/21 budget for Bellsmyre HA. The only exception to this approach was with regard to Bellsmyre staff members who, together with Cordale staff members, had been included as Caledonia staff on the basis that the One Employer staff restructure would complete by end March 2020.

9.20 Rent and Service Charge Setting Policy and Rent Increase Consultation Proposals 2020/21

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

The DCS explained that the Group Rent and Service Charge Setting Policy was reviewed annually and set out how organisations within the Group would ensure that their rents and any potential increase complied with legislative and regulatory requirements.

The Group Rent Policy had been reviewed by senior staff and limited changes had been recommended. The review and the recommendations were considered by the Scrutiny Panel at their meeting in January 2020. The Scrutiny Panel did not make any suggestions for additional alterations. The Group Rent Policy was also presented to the Governing Bodies at Cordale and Bellsmyre Housing Associations with no adverse feedback received from either Committee.

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

Rent Consultation 2020

The DCS advised that in line with Regulatory advice and guidance, rent increase options would be presented to tenants for consideration and consultation. The options for consideration were:

- **Option 1** – to increase rents by **CPI + 1%** which is aligned to current business plan commitments and policy provisions and equates to **2.7%**

- **Option 2** – to increase rents by **CPI + 1.5%** which equates to **3.2%** and would generate an extra **£86,000** of rental income. This will allow Caledonia to bring forward a planned maintenance project to replace 20 heating systems from the 2021/22 programme.
- **Option 3** - to increase rents by **CPI + 2%** which equates to **3.7%** and would generate an extra **£172,000** rental income. This will allow Caledonia to bring forward planned maintenance projects to replace 20 heating systems and 18 bathrooms from the 2021/22 programme.

The DFG advised that Cordale's Management Committee had made suggested changes to the wording of options 2 and 3. Caledonia Management Board members concurred and **AGREED** that the wording should be amended.

Board members were reminded that Caledonia would also be required to 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.

The Board discussed the impact of the suggested increases on tenants but also recognised the need to ensure the future viability of Caledonia HA. In conclusion, and with some reluctance, members **APPROVED** the three options for the proposed rent increase which were to be used in consultation with tenants subject to the agreed changes to the wording. Board members also accepted the Chief Executive's suggestion that the EMT undertake sensitivity analysis and stress testing including the effect on lenders' covenants of a further option for rent increase of 2.4%.

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

10.20 Business Plan 2020/25 – Strategy Proposals

The DSI advised that the strategic priorities proposed in this report had been developed from consultation with the Group's governing body members and the Executive Management and Operational Management Teams. The Business Plan continued to focus on the specific key strategic projects with the addition of one further key strategic objective based on "Developing our People". The Strategy proposals had been considered and approved by the Bellsmyre and Cordale Management Committees earlier in the month. Information on the key priorities would also be included with the rent consultation information being sent to tenants across the Group in February.

The Management Board **APPROVED** the proposed strategic priorities and **REQUESTED** that notes from the Cordale Management Committee consultation meeting be uploaded to the Document Library on Decision Time for information purposes.

11.20 Business Plan 2019/24 Implementation Plan – Quarter 3 Update

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

12.20 Development and Planned Maintenance Update

The DA advised that he had sought approval from the Chair and Vice Chair in December 2019 to commence work on the demolition of existing buildings on the site at Morgan Street, Dundee, as a decision on this was required prior to the January Board meeting. The Management Board was now requested to homologate the Chair and Vice Chair's decision.

The DA also advised that at the Audit & Risk Management Committee meeting on 4 December 2019, the Internal Audit report on the factoring service provided across the Group was discussed. On conclusion of those discussions, the Audit & Risk Management Committee had requested that further

information and updates were provided to the January Board meeting and this information was included in the report.

The Management Board **HOMOLOGATED** the decision made by the Chair and Vice Chair in relation to the demolition contract for Morgan Street, Dundee and **NOTED** the remainder of the report.

13.20 Care & Repair Service – Tender Submission

The DA explained that the purpose of the report was to seek the approval of the Management Board to submit a Tender to continue the delivery of the Care & Repair service for Perth & Kinross Council and expand the service to include the Angus Council area.

Following a review of Care and Repair services by both PKC and AC, the two authorities decided to enter into a partnership to procure Care and Repair services on a joint basis with the view of achieving savings in service delivery costs. A tender was issued by both authorities through the Public Contracts Scotland website detailing all of the requirements of the new contract. This tender was issued on 25 November 2019, and completed bids must be submitted by Friday 14 February 2020. It was the Association's intention to submit a bid for the new, jointly procured contract, highlighting the high quality service that Caledonia already provided for both Councils through our comprehensive case management process.

Should the Association's tender submission be successful it was envisaged that, due to the wider geographical area to be covered, updated IT hardware would be required. As there would also be an increase in the number of cases to be delivered additional staff would be required.

The Management Board **APPROVED** the recommendation that the Association submit a Tender Submission.

14.20 Draft Minutes of the Audit & Risk Management Committee Meeting & Corporate Risk Map: Wednesday 4 December 2019

The draft minutes were **NOTED**.

**15.20 – Draft Minutes of Bellsmyre and Cordale December Management Committee Meetings
16.20**

The draft minutes were **NOTED**.

17.20 Any Other Business

It was **NOTED** that the Group Governing Body Culture Session would be held at 4.00pm on Thursday 13 February 2020 at the Stirling Court Hotel, Stirling University Campus.

It was **NOTED** that the next Management Board meeting would be held on Tuesday 25 February 2020 in the Association's Perth Office.

There being no other business, the meeting concluded at 9.30 p.m.

Chair's Signature *P.M. Colson*