

MINUTES OF	:	Board of Management Meeting
TIME & DATE HELD	:	29th March 2022 at 6.00pm
DATE APPROVED	:	26th April 2022

BOARD MEMBERS PRESENT	:	Ms Scoffield ,Ms Thomson, Ms Battersby, Ms Barbour, Mr Barclay Mr McIntosh and Mr Robertson.
APOLOGIES	:	Ms Johnston
STAFF PRESENT:		Tony Teasdale, CEO Fiona Nicholl, Director of Finance & Corporate Services (DFCS)
IN ATTENDANCE	:	None

1. Introduction

Apologies were noted as indicated above.

2. Declarations of Interest

There were none.

3 Minutes for Information

The draft minutes of the following meetings were noted:

- 3.1** Audit and Corporate Committee meeting: 08.03.22
- 3.2** EEHDC Board meeting: 22.03.22
- 3.3** Upkeep Board meeting: 22.03.22

4. Minutes for Approval

The draft Minute of the Board of Management meeting held on 22.02.22 was **approved** as a correct record on a motion from Mr Barclay, seconded by Mr McIntosh.

5. Matters Arising

There were none.

6. Compliance and Safety Update

Members noted the content of the report.

7. CEO Progress Report

Members noted the content of the report and in particular:

- The latest position regarding staff directly affected by Covid and the update on working arrangements, including :
 - That the office reception is once again fully open to the public (with the exception of lunchtime, 1-2pm).
 - The requirement upon staff to self-test has been reduced to twice a week.
 - The continuing requirement for mask wearing when in the office and people's homes.
- The latest position regarding the additional grant claim for Fenella Street development and that it was now expected that the Association would receive a figure not far short of the original estimate of £700k.
- That the Scottish Housing Regulator had confirmed that its assessment of the Association as "compliant" would be maintained for 2022/23.

Following discussion **the Board agreed the following:**

- That the possibility of holding an event for Board Members, staff, interested tenants and members of the community around some key strategic documents that GCC will be consulting on in the coming months be looked into.
- That another briefing session be held for local elected representatives following the forthcoming Council elections with arrangements to be finalised in consultation with the office bearers.

Members made suggestions for inclusion within the forthcoming newsletter including: information about clothes collections/fund-raising initiatives for Ukraine and local events as advertised through Thriving Places Group that covers Springboig and surrounding areas. It was also re-iterated that where possible information aimed at helping people through the cost of living crisis should make clear whether also available to owners.

8. Staffing issues

Members noted and discussed the content of the report and in particular:

- The outcome report and recommendations from the recent Skills Development Scotland (SDS) *Skills for Growth* assessment. Members raised some issues and queries around team working and communication, customer service and staff training and development. **It was agreed that a draft action plan now be developed and brought back for Board consideration in due course.**
- The CEO also highlighted that, in accordance with the 2021/22 Delivery Plan, we are due to commission an independent survey of staff satisfaction. He reported that the Corporate Services Manager had sought proposals from three firms with relevant experience. **The Board agreed to delegate authority to the Office Bearers to approve the selection and appointment of one of these once proposals had been received**, in order to allow arrangements to progress in advance of the next meeting.

- Members noted the updated position regarding several vacancies across the team and issues under consideration in respect of each of these.
- **The Board gave in-principle approval to the suggested way ahead in respect of the Finance & Corporate Services team and agreed that detailed proposals for recruitment to the Director of Finance & Corporate Services post be brought to the April meeting along with any other proposed changes to responsibilities within that team.**

It was noted that proposals are also being worked up in relation to senior roles within the Customer and Community Services team and detailed proposals in this regard will also be brought forward for Board consideration in the near future.

9. Finance

9.1 Final Budget 2022/23

The Board noted the covering report and appendices.

In presenting the report the DFCS explained that the final budget had been updated to refine the underlying assumptions, as indicated in the report, but that this had been somewhat challenging to do given the current economic uncertainty. As part of this **the current** relatively high inflation levels had been factored into the budget projections for the year, including:

- a staff salary increase included at 4.5%
- substantially increased energy costs
- insurance costs increased in some cases by 100%.
(These had all been continued on through the 30 year financial plan).

At this point the Board's attention was brought to the latest communication (on 28.03.22) from EVH regarding negotiations with the union regarding the 2022/23 salary uplift. All Member employers were being balloted on a proposed 4.1% increase. **It was agreed that the details be circulated to all Board Members for feedback to the Office Bearers who were delegated authority to approve the ballot submission on behalf of the Association within the deadline date of 19th April.**

The DFCS highlighted the following features of the final draft budget:

- A "true" surplus of £384k was projected for 2022/23 although after the notional interest adjustment for the loan break costs the final surplus should be around £1.2m.
- The Statement of Financial Position was noted and that net assets at the end of March 2023 are expected to be around £9.2m and cash balances will be at their lowest in November 2022 and at their highest at the start of the year - April 2022. The latter was largely due to the cash injection expected over the next week from the sale of Tollcross Mansion House and the extra grant funding from Fenella Street.
- Higher than usual capital expenditure for the year - 3.2m - due in part to a carry forward of £550k from the current year's programme.
- The projected development expenditure and grant income was noted and that the remaining loan facility (around £4m) was all due to be drawn down in the year ahead as the St Marks development moves to completion.

- On this basis, should the Board be minded to approve additional development new loan funding would first need to be arranged and put in place.

The DFCS also noted that there may in practice be some cost savings against the draft budget as the year proceeds, for example:

- a number of staff posts are likely to remain unfilled early into the new financial year.
- the St Marks development was progressing well and within budget and that there was a possibility that rental income from this could be generated during 2022/23 due to a phased handover.

None of this potential additional income had been included in the budget.

The comparison between the draft budget for 2022/23 and what had been projected for this year within the March 2021 business plan was highlighted and key variances explained.

The DFCS advised that all loan covenants were projected to be met and there should be no concerns with these as long as expenditure was controlled and stayed within budget. It was noted that they risk here related to the need to control maintenance expenditure, as discussed at recent meetings.

Where the key performance indicators were worse in some cases this was anticipated e.g. the loan debt. The Board noted the improving performance on the % amount of turnover spent on staff costs and this was as a result of the reducing staff numbers over the years and the staff restructure which took place during 2021/22.

In subsequent discussion Board Members queried whether projected cash holdings were adequate to deal with unforeseen circumstances which might require a sudden additional outlay of cash.

The DFCS suggested that a prudent approach had been taken in forecasting ahead and highlighted the importance of the 12 monthly rolling cash flow projections that are prepared as part of the monthly management accounts in mitigating risks in this respect.

In discussion it was noted that the remaining current loan facility will be used up in the coming 12 months by the St Marks development and there was discussion about the Association's ability to borrow additional money against the current assets. The DFCS said that the Association did have free 'security' or 'collateral' and that this could be used to borrow more but that the long term business plan would then need to demonstrate that the cash flow could meet both the interest and capital repayments on the additional borrowing as well as meet the loan covenants.

Board Members suggested that the projected cash balances were low for an Association the size of SHA. Following discussion **it was agreed that a paper be brought back for Board consideration setting out the rationale for what might be considered a minimum level of cash holding, having regard to potential scenarios that might arise going forward.** The CEO highlighted that this would form part of the development of the Association's contingency planning, as proposed within the draft Business Plan Delivery Plan.

The Board approved the 2022/23 Final Budget.

9.2 Updated 5 year and 30 year financial projections

The Board noted the covering report and appendices.

The DFCS highlighted the significant changes in some of the underlying income and cost assumptions over the next few years as listed in the report and the Board noted that inflation, interest rates, rent increase and bad debt assumptions had all been amended to reflect the current economic uncertainty and these changes were made in years 2022/23, 2023/24 & 2024/25.

It was noted that the draft Statement of Comprehensive Income projected that modest surpluses will arise in each of the years and that the net assets position in the Statement of Financial Position will increase in line with the profits being made.

The DFCS advised the costs in the budget for 2022/23 were on the high side and that these costs had already been cascaded throughout the plan and this was in addition to the changes made in the base line assumptions in the short term.

The cash flow was projected to reach its lowest point of £245k by March 2031 with cash flow to remain positive throughout the period of the plan until its highest point at the end of the 30 years of £42m. The Board noted that in order to get the cash flow to ‘stack up’ and remain positive the capital expenditure in some years had been reduced.

The Board noted that under the “Base Plan” all the loan covenants were projected to be met over the duration of the plan. The Board’s attention was however also drawn to the sensitivity analysis that had been carried out, having regard to possible significant changes in the base model assumptions and how these would impact on cash and covenant compliance over the years ahead.

These included a worst case scenario showing a “perfect storm” of adverse trends in relation to various factors (inflation, interest rates and bad debts increasing and pension deficit payments continuing for a further three years) and with rents not able to be increased in line with the base model due to pressures on tenants’ incomes. It was noted that whilst this aggregation of factors remained very unlikely for any sustained period there was a need in the current uncertain circumstances to be alive to the increased risks. The Association would be unlikely to be able to withstand this worst case scenario and in such circumstances, without additional external funding or adjustment of loan obligations the only realistic option for the Association would be to very significantly reduce maintenance expenditure/investment and this would not be sustainable beyond the short term.

The DFCS highlighted the importance of keeping the business plans under regular review given how rapidly the key business plan assumptions can change and that budgetary control especially on the maintenance aspect of the business was critical.

Following discussion the Board **approved the 5 the updated 30 year financial plans for submission to the SHR and the RBS by the deadline dates.**

The Board noted that this was the DFCS’s final meeting before leaving the Association and Members thanked Fiona warmly for her contribution during her nearly four years at SHA.

10. Business Plan 2022

The Board noted the content of the report and a presentation given at the meeting by the CEO (see **appendix 1**) and, **in advance of consideration of the final full draft Business Plan at the April meeting, agreed the following:**

- That “our purpose” and “our vision” should remain unchanged for the 2022 Plan.
- That “our values” should remain unchanged at this stage but be re-visited by the Board and staff during the course of this year.
- The proposed updated SWOT analysis.
- Revised Strategic Objectives, as follows:
 - A:** *To achieve excellent standards of governance and organisational resilience.*
 - B:** *To improve the quality and value for money of our services*
 - C:** *To effectively manage our resources to protect our assets and deliver the best possible outcomes for quality affordable homes in the area.*
 - D:** *To support our tenants and the local community through the “cost of living crisis”.*
 - E:** *To develop our staff team and refresh our working culture to ensure that SHA is a great place to work.*
- The draft Delivery Plan for 2022/23
- The updated Key Performance Indicators (KPIs) for 2022/23.

11. Governance issues

The Board noted the content of the report and:

- Noted the resignation of Board Member Belle Barnes.
- **Approved the co-option to the Board of Marian Hassan, an SHA tenant.**
- Noted the short-list of potential tenderers for the this year’s Annual Board Review and CEO annual appraisal and **delegated authority delegated to the office bearers to consider proposals and make an appointment** to enable process to begin in the first week of May and outcome report and recommendations to be submitted for consideration and discussion to the Board meeting on 24th May.
- Noted that the deferred Property Services Sub-Committee meeting will now take place on 12th April and agreed that any further changes required to the meeting schedule be proposed to the April Board meeting.

12. Tollcross Mansionhouse

The Board noted and considered the content of the report, including the disposition that had been drafted by our lawyers TC Young to transfer ownership of Tollcross Mansionhouse to Spectrum East Ltd with effect from the 31st March 2022, on condition of receipt of the agreed sale sum (£450,000) and subject to the stated warranties.

The Board considered this disposition and, in accordance with the wording of the draft Minute prepared, **authorised the Chairperson to sign the disposition in favour of Spectrum East Ltd.**

13. Membership Applications

There were none.

14. Any Other business

There was none.

Minute prepared by Tony Teasdale, Chief Executive

SIGNED:

DATE: