BOARD
MINUTES

MINUTES OF	**:**	Board of Management Meeting (non-confidential)
TIME & DATE HELD	**:**	3rd December 2024
DATE APPROVED	**:**	11th February 2025

BOARD MEMBERS PRESENT	**:**	Hugh McIntosh (Chair), Elizabeth Battersby, Grace Barbour Brian Barclay, Rae Connelly, Tracey Kernahan, Irene McGinnes, Eddie Robertson and Janice Saunders
APOLOGIES	**:**	Marian Hassan, Gillian Johnston and Linda Sichi
STAFF PRESENT	**:**	Tony Teasdale (CEO) Kirsty Brown (Director of Finance & Corporate Services) Craig Russell (Director of Customer and Community Services)
IN ATTENDANCE	**:**	None

1. Apologies

As noted above.

2. Declarations of Interest

All tenant Board Members present (Mr McIntosh, Ms Barbour, Ms Kernahan and Ms Saunders) declared an interest in relation to the expected discussion on rents and service charge income at Agenda Item 8. In accordance with usual practice however it was agreed that this should not prevent them from taking part in the discussion or voting on the issue.

3. Minutes for Information:

The draft minutes of the following meeting were noted:

3.1	East End Housing Development Company Board Meeting	: 29.10.24
3.2	Upkeep Board Meeting	: 29.10.24
3.3	Audit & Corporate Services Committee Meeting	: 14.11.24
3.4	Operations Committee Meeting	: 28.11.24

4. Minutes for Approval

The draft Minutes of the Board meeting held on 8th October 2024 were approved on a motion from Grace Barbour, seconded by Janice Saunders.

4.1 Board meeting: 08.10.24 (confidential version)

4.2 Board meeting: 08.10.24 (non- confidential version)

5. Matters Arising Schedule

No matters were raised.

6. **Compliance and Safety Update**

Members **noted** the content of the Compliance & Safety Update Report, and in particular:

- At the time of issue of the report there had been no new Notifiable Events reported since the last meeting.
- Both the latest quarterly return to the Information Commissioners Office and quarterly Management Accounts to the Association's lender RBS were submitted in advance of the filing deadlines.
- That at time the report was issued there had been no significant Health and Safety incidents to report since the last meeting date.

7. **Chief Executive Progress Report**

Members noted the content of the report updating on significant issues and developments since the last meeting not covered elsewhere on the agenda. In particular:

Christmas: The Board noted the office closure dates for the festive period and the invitation to the Christmas Party taking place on the 13th December 2024. The CEO provided an overview of the staff efforts and value added to our tenants and wider community in the lead up to Christmas. This included free pantomime tickets and distribution of 100 Winter Warmer Packs from the Celtic Foundation. Members also noted that an application had been made to Cash for Kids for vouchers however we were awaiting notification of the outcome. As demand had outstripped availability for some of the Christmas wider role offerings, the Board delegated authority to the Office Bearers to make any necessary decisions for additional funding. It was agreed that that we should try and accommodate requests made.

Staffing Update: The two new Area Housing Managers (Laura Breeze and James Wilson) are now in post.

Website: The website has been overhauled and re-launched. Members were encouraged to visit it and provide any additional feedback.

Newsletter: The winter newsletter was under preparation and members were encouraged to contact the DCCS with any suggestions for inclusion.

Investment:

- A meeting about the Shettleston Halls site with Paul Sweeney MSP, local councillors and officials from Glasgow City Council and the Wheatley Group was due to take place on 9th December. Members were reminded of the extensive efforts that SHA had undertaken over several years to explore the feasibility of this development but that there still appeared to be no viable affordable housing solution. Board Members agreed that it was important that the site be developed if possible given its current condition, even - if necessary - that was by another developer and not for affordable housing.
- Discussions were ongoing with Clyde Gateway regarding its site on Old Shettleston Road.
- There had not yet been any progress in acquiring any further properties on the open market. The Council's stipulation that only 3 bed or larger properties be considered was a stumbling block.

- The Association had recently achieved compliance with the regulatory requirement that 100% of properties have an electrical safety (EICR) inspection at least every 5 years.

A Shettleston 'Place Plan': Progress with the Shaping Shettleston process and an update on how the Association had been seeking to support this through: a community consultation event; organising a focus group; promoting the digital survey to our tenants through a text message.

Local and National Housing Policy:

- It was hoped that the Scottish Budget due to be announced the following day would provide extra funding for affordable housing and medical adaptations (we are currently budgeting to spend £50k of the Associations own money to make up this year's grant shortfall: an amount equivalent to the cost of the latest employer NI increase).

- The Scottish Government had still to announce its intentions in respect of a new Social Housing Net Zero Standard.

- The Scottish Government had announced a consultation in the spring on whether grant-funded Mid-Market Rent properties should be exempt from the rent controls being applied in the private rented sector.

Members **noted** the content of the CEO Progress Report.

8. Annual Review of rent and service charges

Members noted the content of the report which set out proposals in relation to the increase in rents, service charges and factoring management fees, from 1st April 2025. The CEO provided an overview of the rent review process and background to aid understanding of the report recommendations. Members noted the key considerations for this year's review:

- Can we cover our costs and future investment?
- How do our rents compare with those of other landlords?
- How affordable are our rents?

The DFCS provided an overview of the impact on the Association's business plan of three rent increase scenarios, being 2.3%, 3.3% and 3.8% (October CPI, CPI plus 1% and CPI plus 1.5%). It was noted that the business plan assumption had been for CPI plus 1% for the 2025/26 year. Members noted from this that:

- All 3 rent increase scenarios provide surpluses throughout.

- Only a 3.8% increase provides positive cash balances throughout. Note that all 3 options have seen the capital spend smoothed in years 7 and 9, pushing back £1.5m and £1m into years 13 and 17 respectively. Further smoothing could be done for the 2.3% and 3.3% scenarios to try and achieve positive cash balances throughout the plan, however the likelihood is that the spend profiling would be unrealistic.

- Only a 3.8% increase achieves the Association target of having a minimum of £1m cash on hand each year.

- A 2.3% rent increase provides a worse result than the previous version of the 30-year business plan.

- A 3.3% rent increase provides a better result than the previous version of the 30-year business plan however there is less cash in the plan over the first half of the business plan. The uplift is loaded into the final years.

- A rent increase of 3.8% achieves the best results and satisfies the Association's target of always retaining a minimum of £1m cash in the bank. The lowest cash balance is £1,204k in year 8.

- All rent options provide covenant compliance now that we have agreed the new covenant proposal from RBS.

The DFCS advised that there was no 'slack' or 'buffer' built into the figures; income and cost expectations detailed have been entered as actual expected amounts. Members noted the details of the planned investment programme for the next 5 years (totalling nearly £16M) but that there was no projected spend for EESSH2/Net Zero enhancements included in the workings presented. No new development was assumed at this point.

It was also noted that some cost expectations were still estimates including:

- The 2024/25 EVH salary award is still unknown – 3.3% estimate used in draft budget workings;

- The insurance renewal is also still unknown – prudent estimated uplift of 10%. Members noted that since the report was issued, the Association's broker had advised that property insurance could rise by around 3%, motor insurance by 15 – 20% and other insurances by 10-15%; and

- The uplift to repairs charge-out rates was still to be finalised however 4.5% uplift had been applied to cover increased labour and material costs.

The impact of the Employers National Insurance increase, which had been estimated at £50k per annum, was also noted by members. Similarly the cuts to Adaptations Funding have meant that the Association could be seeing a similar sum used to bridge the gap between tenants needs and the funding provision. The combined impact representing an almost 1% increase on rents.

The CEO then provided an overview of how the Associations rents compare with other landlords and their affordability. It was noted that:

- Our average rents continue to compare very favourably with other RSLs (with the exception of the relatively small number of 5 apts that we have).

- The results of the recent SHN assessment of the affordability of our rents were enclosed with the report and concluded that SHA rents are affordable to lower quartile income households based on a 30% income to rent ratio and that based on income profiling SHA rents are affordable to a range of different household types.

- We are proposing a higher than inflation increase however this was happening across the sector this year and is due to the inflationary pressures of the last few years. (Members noted the data on rent increase intentions that was being collected by both GWSF and the SFHA).

- The living wage was due to rise by 7% from 1st April and the triple lock effect on the state pension meant that many of our most vulnerable tenants had some protection for the rent increase proposal.

Members noted that it was proposed that there be a flat rate across the board rent increase % this year rather than applying differential increases as in other years recently. This was in part because of plans to take forward proposals for rent harmonisation in the coming months.

The CEO concluded by stating that the recommendation was for a not less than 3.8% rent increase; anything less would undo the work undertaken in the prior year to strengthen the business plan and would add limitations for investment in existing stock in future years. The CEO also confirmed that the 3.8% increase would be applied to the Factoring Management Fee.

The Board noted the proposed rent consultation arrangements which included:

- Posting a proposal leaflet and questionnaire survey to all tenants with Freepost response envelope and option to complete electronically through a QR code on the document. Links to the survey to also be put on our website, on social media and in a text message to all tenants.

- Tenants encouraged to provide feedback to their housing officers who can assist in completing the survey.

- A Tenant Forum meeting 23rd January.

The Chair firstly asked the Board if there was any support for either of the two rent increase scenarios that had been outlined but not recommended: 2.3% and 3.3%.

There was no support indicated for these and he then asked for comments on the recommended uplift of 3.8%. Members then discussed the proposal and the majority felt that the 3.8% proposal was required. Comments from Members included:

- We need to set out the case and consistently remind tenants of the need for investment and what is being delivered in terms of new kitchens, bathrooms etc.

- All costs are up, employers NI, insurance etc. We need to maintain cash levels.

- The proposed increase is less than last year. I have benefited from good response times when I had issue with water leak.

- We offer comfort: for repairs, energy advice, and benefit advice. We need to maintain these services.

- That it would be helpful to get a greater level of feedback from tenants than in previous years and a proposal that a telephone survey be carried out to supplement the other proposed consultation measures. It can be easier to get a feel for tenants' views in person / by conversation rather than written communication or text message. Another Member highlighted however that this might be very labour intensive as people often don't want to answer the phone and this might be demoralising and not the best use of staff time.

- One members reported that a neighbour had commented that the Association is "only interested in money" with subsequent discussion about how the sometime complex issues regarding the rent increase can be best communicated to tenants.

A Member highlighted however that the forward projections – even at 3.8% - appeared tight and that there might be little room for manoeuvre if some of the assumptions in the report turn out to be optimistic. e.g. the coming year's salary settlement and insurance renewal fee. He also queried whether the Association would be able to take forward a new development based on the current projections. Tenants would ultimately suffer if there is insufficient funds to maintain services and investment.

Another Member queried the Association's position of seeking a £1m minimum cash holding and if this level was still appropriate or should it be more. The CEO noted that most HA's have more cash on hand but highlighted the progress that had been made in the last few years to increase SHA's cash holding. It was important to have a clear rationale for the target figure. Members also noted that £1m now is not the same as £1m in ten years' time. It was a judgement and the DFCS confirmed that the minimum cash level would be reviewed again at the next Treasury Management Review. It was agreed that for the next meeting, the financial impact of the risks appearing in the Association's risk register would be estimated, with feedback on the financial impact of a combination of the most likely scenarios to happen in the next 12 months. This exercise would help determine if the minimum cash threshold of £1m is sufficient.

All Members contributed to the discussion. The importance of ensuring continued investment in the stock and protecting the overall financial viability of the Association was highlighted throughout. In conclusion the Board agreed the following:

- **Tenants to be consulted on proposals for a 3.8% increase in rental income in 2024/25.**

- **Consultation with tenants on the proposed rent/service charge increases to commence at the earliest opportunity with the feedback to be reported to the February meeting.**

- **Factored owners also to be consulted on a 3.8% uplift in the factoring management fee.**

9. Finance

9.1 Management Accounts – Quarter 2 (to end of Sept)

The DFCS provided an overview of the results for the period to 30th September 2024. The Board noted the surplus position of £1,161k compared to a budgeted surplus position of £745k.

It was recognised that £154k of the positive variance was due to the gift aid payment from Upkeep, received in quarter 2 of the 2024/25 year. The main points to note were:

- Rental income was lower than the budget expectation by £39k due to the budgeting error as rents for 32 properties had been overstated. This adverse variance had been offset by the favourable variances on the other income categories.

- Void loss was lower than expected: 0.58% v 1% budget assumption.

- Income from Stage 3 Adaptation Grants was £8k more than budget, the favourable variance mainly due to timing.

- The favourable operating costs position was discussed and the DFCS confirmed that the majority of expenditure categories were reporting a favourable surplus position. In particular the spend on reactive repairs was significantly less than budget for the period to date however it was expected that this trend would reverse over the winter months, and also the depreciation charge was less than budget due to there being less component renewals completed over the period than the budget had expected. Members noted that detail on all adverse variances was provided in the table on page 2 of the cover report.

- Interest received was noted as being £30k higher than the budget assumed. Members noted that this was due to the Association taking advantage of higher deposit rates.

- The closing cash position at the 30th September 2024 was £2,731k, an increase of £753k from the March 2024 position. The DFCS confirmed that the increase was due to the favourable surplus position and also reduced levels of capital spend.

- Long term borrowing remained at £41,600k at 30th September 2024. Members noted that loan finance of £3,400k was available for drawdown in future years.

- All lender loan covenants were met and the main key performance indicators (KPIs) were showing no cause for concern.

The Board approved the Draft Final Accounts to 30th September 2024.

9.2 <u>First Draft Budget for 2025/26</u>

Members noted the contents of the report and the draft budget workings. The DFCS confirmed that all budget holders had been involved in preparing the draft figures; as such it did capture all known costs for the year ahead, however some cost estimates were required as we were still 4 months away from the start of the new financial year.

The key points noted were:

- The draft budget presented incorporated a 3.8% rent increase, being the recommended minimum rent increase for the 2025/26 year.

- Repairs costs have been uplifted by 4.5% to cover the expected pay award increases and impact of increases in Employers NI and direct material costs.

- The EVH inflationary salary uplift has been estimated at 3.3% for the purposes of the draft budget. The DFCS detailed that this was thought to be a realistic, not prudent estimate however there was still scope for this to be higher as inflation was set to increase in the coming months before falling again.

- The draft budget presented included the estimated impact of the increase in Employers National Insurance costs, estimated at £50k.

- Insurance costs had been estimated with a 10% uplift. Members noted that since the report was issued, the Association’s broker had advised that property insurance could rise by around 3%, motor insurance by 15 – 20% and other insurances by 10-15%.

- Major Repairs spend was in line with the prior year estimate, being 1.39% higher than the budgeted spend for the 2024/25 year. Members noted that £300k of stonework repairs had been pushed back from the 2024/25 year.

- The draft budget presented showed positive cash balances of over £1m remained over the 12-month period. Members noted that no loan drawdowns were expected however the cash balance was expected to decrease by approx. £1m over the year. It was further noted that this reduction was expected in the business plan and is due to the impact of the first year of capital loan repayments, being £926k. The DFCS confirmed that the Association still had £3.4m of undrawn loan funds available. The updated business plan workings were assuming that these would be drawn over the following three financial years.

- The draft budget provided covenant compliance for the 2025/26 year. The DFCS confirmed that the new covenant proposal from RBS provided more headroom and as such the previous restrictions on spend were no longer an issue.

Members noted that the final budget would be presented to the March 2025 Management Board for approval. It would capture the outcome of the rent consultation and any required updates to the budget figures as more up to date information on costs is received.

The Board approved the draft budget for the 2025/26 year.

10. Governance

10.1 Governance Issues

Members noted the content of the report.

Irene McGinnes was elected to fill the vacant Office Bearer post of Secretary on a nomination from Hugh McIntosh, seconded by Tracey Kernahan. There were no other nominations.

The Board **noted** with regret Maureen Mulgrew's resignation from the Board but were pleased that she intends to stay involved with the Association in other ways.

The Board approved a 3 month leave of absence for Gillian Johnston on health grounds.

The Board noted the proposed co-option of Ross Ramsay, and details about him in the report. The Chair and Vice Chair reported back from their meeting with him on 18th November and strongly supported the proposal. **The Board approved the co-option of Ross Ramsay** to fill the vacant designated space for co-optees who do not have to live within the area.

The Board noted that a recruitment process for the Upkeep Board was ongoing. Upkeep Chair Brain Barclay reported that a very good level of interest had been received with four candidates under consideration, and interviews due to be complete by 9th December. It was noted that, in accordance with the Intra Group Agreement all subsidiary Board members have to be ratified by the SHA Board. With the next Board meeting not due until 11th February **the Board agreed to receive and decide on proposals for Upkeep Board appointments electronically before Christmas.**

The Board **noted** the final make-up of the Sub-Committees for the 2024-25 year.

10.2 Governance Policy Reviews

A report recommending approval of the following revised documents had been issued to Members well in advance of the meeting to allow time for scrutiny and any comment through Decision Time.

- **The Code of Conduct for Board Members Protocol for Dealing with Alleged Breaches of the Code.**

- **Group Standing Orders, Board and Committee Remits and Delegated Authorities** (final version following consideration by the Subsidiary Boards).

The reasons for the proposed changes as set out in the report were noted and **the Board approved the updated documents.**

11. **Business Plan (Developing our Strategy)**

Members noted the content of the report. This included information about the latest Advisory Guidance from the Scottish Housing Regulator (SHR) on RSL Business Planning. It was noted that the Association's approach to business planning already follows most of this. It was highlighted however that the Guidance recommends that a formal "options appraisal" approach to major decisions (e.g. around investment priorities) be demonstrated within Business Plans. Also that a "strategic options appraisal" be included setting out the Board's views on the organisation's existing business model and whether there would be benefits in looking at other ways of working (including potentially through mergers or other arrangements with other RSLs).

It was agreed that the Board consideration of these issues should commence at the forthcoming Strategy Day (Saturday 11th January). Other arrangements for the day were also approved.

The timeline for Board consideration of the review of the Plan was noted and it was **agreed that an event be held to seek feedback from Association tenants and members** on the proposed Plan be held in advance of final adoption at the end of March.

12. **Quarterly Performance Report**

Members noted the content of the quarterly performance report which incorporated the following:

- Delivery Plan (detailing the agreed Strategic Objectives and the actions agreed for achieving these); and

- Assurance Improvement Action Plan

Members **noted** the cover report update and progress made to date.

13. **Membership Applications**

There were no applications to report this month.

14. **Any Other Business**

There was none.

Minute prepared by Tony Teasdale (CEO) and Kirsty Brown (DFCS)

SIGNED: ……………………………………………….
(Chairperson)

11th February 2025
DATE: ……………………………………………….