

Ag3

Present: David O'Hara (Chair)
Josephine Barnshaw
Helen Eakin
Elspeth Kerr
Joan McFarlane
Vincent Ogar via Zoom
K Watt

In attendance: Pauline Burke, Director
Jacqueline McGoran, Finance & Corporate Services Manager
Marisa McCarthy, Senior Housing Officer
Alex Gemmell, Temp Senior Maintenance Officer
Anne E Smith, Corporate Services and Finance Officer (minute taker)
Maura McAulay, Data Protection Officer, RGDP

Prior to the start of the meeting, D O'Hara welcomed M McAulay, Data Protection Officer from RGDP. D O'Hara requested members to bring agenda item 5.5 to the top of the agenda, which M McAulay will present to board. M McAulay was in attendance via Zoom video conferencing.

1. Apologies

1.1 Apologies were received from K Nubor, D Riddell, A Kerr and M Bowie.

2. Declaration of interest

2.1 K Watt declared an interest at agenda Item 8.1. P Burke declared an interest at agenda item 9.3. All staff present declared an interest at agenda item 10.1.

3. Minute of the previous meeting

3(i) The minute of the meeting on 25 October 2022 was proposed by J McFarlane and seconded by E Kerr.

- 3(ii) The minute of the Special Rent meeting held on 1 November 2022 was proposed by J Barnshaw and seconded by J McFarlane.
- 3(iii) The minute of the confidential staffing meeting held on 22 November 2022 was proposed by H Eakin and seconded by J Barnshaw.

3.1 Meeting Action list 2022/23

- 3.1.1 P Burke presented and asked for approval of the meeting action list 2022/23.
- 3.1.2 Members approved the meeting action list for 2022/23.

4. Matters arising

- 4.1 M Bowie has asked for a special leave of absence for personal reasons for a period of 3 months. Board approved the request.

Action – A Smith

5. Director's Report

D O'Hara asked Members to bring agenda item 6.1 to the start of the director's report. Members agreed to the request.

5.1 Management Accounts to 30 September 2022

- 5.1.1 J McGoran presented the report on the Management Accounts to 30 September 2022.
- 5.1.2 The total comprehensive income (surplus) for the year to 30 September 2022 was £334,996 v budgeted surplus of £161,072 resulting in a favourable variance of £173,924.
- 5.1.3 Gross rents are in line with budget.
- 5.1.4 Void loss sits at 0.32% which is less than the budgeted rate of 0.75% meaning that void periods - which is a loss of cash to the Co-operative - are being minimised.
- 5.1.5 Miscellaneous Income is £6,015 v £15,000 budget which has therefore resulted in an unfavourable variance of £8,985. Just under £6k of medical adaption claims have been made in the first half of the year. A reduction in referrals has led to less adaption work being carried in the period. DHCL will promote in the December newsletter the available funding for tenants.

- 5.1.6 Estate Costs- Housing Management – there is an underspend of £25,887. This is largely due to an adjustment to bad debt provision, low legal costs and an underspend in the sustainment fund.
- 5.1.7 Estate costs – Housing Maintenance – underspend of £64,781. This is due to higher general repairs due to voids and higher reactive repairs costs which is a direct impact of increased material and labour costs. This has been offset against lower cyclical and major repair costs some of which are timing issues but do include some real cost savings such as the painter work program.
- 5.1.8 Overhead Costs- Employee Costs are under budget by £34.4k mainly due to lower actual salary increases than previously estimated in the budget, staff vacancies and lower staff training costs.
- 5.1.9 Overhead Costs – Consultancy Costs – are under budget by £34,075 which is due to contingency budget of £10k not used, £9.8K budget for base line assessments not used as included in internal audit program and higher HR consultancy costs of £4.5K.
- 5.1.10 Fixed Assets net book value increased by £88,691. This is due to depreciation charges, planned maintenance and ad hoc additions including windows, bathrooms boilers & kitchens and disposals to 30 September 2022.
- 5.1.11 Current assets – Cash balances have increased by £32,204 for the period.
- 5.1.12 Equity increased to £6,502,954 the main factor being the addition of the £334,996 surplus generated for the period.
- 5.1.13 KPI's were discussed with most in line with target. It is anticipated those not in target will be in line by year end.
- 5.1.14. Asset Cover Ratio covenant met for the period. Board were advised that Interest cover ratio is monitored quarterly but tested annually. The outturn for the first half of the year was lower than budgeted due to the majority of the planned maintenance costs been incurred in the first half of the year. As the year progresses and turnover increases Interest cover ratio will come into line with budget.
- 5.1.15 The Co-operative's financial position remains robust, however the biggest immediate challenge will be the rent consultation for 23/24 and deciding the level of rent increase as October CPI was 11.1%. The balance of keeping rents affordable against the broader economic situation including rising costs and interest rates means it is almost certain that very difficult financial

decisions will need to be made by the Co-operative in the forthcoming months.

5.1.16 The Board approved the Management Accounts to 30 September 2022.

5.2 Risk Management Matrix – mid-year review

5.2.1 P Burke introduced the progress report and updated Board on the mid-year review.

5.2.2 P Burke discussed the changes since the last report highlighting two new high risks, two risks which have been reduced and mitigating actions added since the last review.

5.2.3 The Board approved the mid-year review.

5.3 Board Induction Report

5.3.1 P Burke reported to Board that the induction process was carried out and advised that the new Board members had completed the induction process successfully.

5.3.2 Board noted the contents of the report.

5.4 Draft Budget 2023/24

5.4.1 J McGoran presented the draft budget 2023/24 to the Board for comment and review before the final approval at the next Board meeting. It was based on a range of assumptions as highlighted in the accompanying papers (distributed in advance of the meeting), including:

- Headline inflation (CPI – October 2022) 11.1%
- Real increase added for Maintenance 0.50%
- Real decrease added for Overheads 1.01%
- Bank of England base rates (Base Rate) 4.00%
- Sterling Overnight Index Average (SONIA) 4.00%
- No new development schemes or property disposals during the year
- Rents & service charges increase (Half CPI) 5.55%
- Rent voids at 0.75% and total bad debts charges at 1.00%
- Salary increase of 5.25%
- HMRC reduction in Employer NI Contributions from 15.05% to 13.80%

5.4.2 The key points from the budget are as noted below:

- Budgeted surplus for the year (total comprehensive income) is £475,745
- Rents & service charges increased by 5.55% (half CPI – October 22)
- Cash balances reduce by £33,730 from £1,992,139 to £1,958,409
- Bank loan balances - reduce from £1,347,006 to £1,161,954
- Bank loans – no additional borrowing or refinancing assumed
- Past service pension deficit contributions - £Nil
- Employer SHAPS DC pension contributions - 8.45%
- Planned maintenance expenditure (capital) - £616,786
- Direct employee related costs (excludes restructure) - £534,979
- Consultancy costs (includes legal & finance services) - £105,471
- Total bad debts write-off costs (1.00%) - £23,433
- Property insurance costs - £36,000

5.4.3 The draft budget as presented allows ongoing covenant compliance and would allow our cash resources to be around £1.95 million at March 2024.

5.4.4 Included in the report were rent increase/options scenarios summarising various scenarios of 23/24 rent increase % which noted the impact on cash on the 2023/24 budget and the 30-year plan. It showed decreasing surpluses, higher loss and gradual worsening of covenant headroom as the rent increase % scenarios reduced. Also included was a table detailing the impact on cash in 30-year plan of a “clawback” over the next five years of inflation + 1%.

5.4.5 The Board after considering the budget had no recommendations. The final budget will be presented at the meeting on 21 February 2023.

5.5 General Data Protection (GDPR) and Freedom of Information (FOI) – Annual Update

5.5.1 M McAulay, DPO from RGDP, delivered the annual update to the Board detailing our compliance with UK GDPR regulations and adherence to Freedom of Information (Scotland) Act and Subject Access Requests (SAR) received this year.

5.5.2 Board were advised that there will be post Brexit changes to legislation surrounding UK GDPR however it's still at consultation stage and any changes will be advised in due course.

5.5.3 M McAulay also advised that the sector has seen an ever-increasing Cyber threat and that staff should remain vigilant. To date the Co-operative have not experienced a cyber security incident impacting data protection.

5.5.4 Board noted the contents of the report.

6. Housing and Technical Report

6.1 Rent Review Consultation 2023/24

- 6.1.1 M McCarthy presented the rent review report for 2023/24 to Board with a view to approving options on which to consult tenants on.
- 6.1.2 Board were advised that the Scottish Government agreed there would be no form of rent restrictions on RSLs after 31 March 2023. Board was reminded about the continued effort made by DHCL to keep rents affordable and in line with other RSLs in the area. A table included in the papers displayed the 5yr cumulative rent increases, showing the Co-operative as having the lowest cumulative rent increase in comparison to DRUMCOG partners and Wheatley Group over the period.

V Ogar left the meeting at this point due to connection issues

- 6.1.3 M McCarthy confirmed that a survey issued to tenants in November regarding the impact of the cost-of-living crisis received 40 responses, 83% of tenants confirmed that the cost-of-living crisis had impacted them financially.
- 6.1.4 The Board were reminded of examples of how DHCL are helping tenants to mitigate the cost-of-living crisis and there is ongoing funding streams available which staff have submitted applications for to assist tenants. M McCarthy advised that an application to SFHA Fuel fund was successful and resulted in funding being awarded of £17.5k which will be used to assist tenants with energy costs, warm duvets, energy saving lightbulbs and some flooring.
- 6.1.5 Board discussed the report in detail and the challenges of keeping rent affordable when tenants are facing high inflation and a cost-of-living crisis whilst still ensuring continued investment in stock and the continuation of services and also ensuring the Co-operative's financial viability. J McGoran discussed with the Board the cash impact of the four rent increase scenarios on the 2023/24 budget and the 30-year plan. The four rent increase scenarios discussed were increases of 11.1% (OCT CPI) 5.55%, 4.75% and rent freeze. J McGoran referred to the budget report and the table included in the report showing the 30-year cash impact if an attempt to "clawback" some of the lost cash - caused by having lower than inflation increase in 2023/24 - over the next 5 years by having inflation + 1% increases. J McGoran advised Board as shown in table a 5-year clawback after a 2023/24 increase of 5.55% has cash well in excess of the CPI inflation only model – in fact only 1 year of inflation +1% would be required to bring cash back into line.

6.1.6 Further discussion took place with Board finally agreeing on 5.55% rental increase for 2023/24, on the basis that the figures had been run through the 30-year plan indicating no breaches of covenant or cashflow issues. It also ensured that the planned and cyclical programs would go ahead in 2023/24 and current levels of service would remain. Board wanted to avoid inflation +1% rent increases over the next five years and agreed that the scenario of 5.55% with the potential for one year only rent increase of inflation plus 1% would be the best option to consult on. Board also accepted that the economic climate remained volatile and therefore future rent increases would be considered dependant on the financial climate at the time.

6.1.7 Board approved to consult tenants on 5.55% rent increase for 2023/24 which is half CPI as recorded in October 2022.

K Watt left the meeting at this point.

6.2 Performance and Maintenance spend – 30 September 2022

6.2.1 A Gemmell presented performance and spend report to 30 September 2022.

6.2.2 All KPI's were met in the 2nd quarter with the exception of emergency repairs which was 2.7hrs against target of 2.5hrs.

6.2.3 A Gemmell advised Board of spends within maintenance advising of the reasons behind variances.

6.2.4 Board noted contents of the report and the performance and spend update and will advise if they would like any further information included in this report.

6.3 Adhoc Component Replacement Report

6.3.1 A Gemmell presented the report to Board and asked for an increase of £20,000 to the adhoc component replacement report which is currently £66,515

6.3.2 He advised that 25 boilers had been replaced over first two quarters, with 5 more been given instruction in the 3rd quarter. This is due to a variety of reasons including end of life and replacement parts no longer being available.

6.3.3 A Gemmell advised Board he had reviewed the information we have been receiving from our Gas Service Contractor and discussed his findings with Board.

6.3.4 Going forward, a percentage of audits of renewal request will be by carried out by Argon, our gas service auditors, before instructing the renewal. We will then meet with our gas service contractor to discuss the results of our audits and our boiler types.

6.3.5 Board approved the increase to the adhoc component budget by £20k to £86,515.

6.4 Performance Exceptions report

6.4.1 M McCarthy presented the report to Board and pointed out that there were no exceptions this month.

6.5 Tenancy Allocation

6.5.1 M McCarthy presented the report to Board. M McCarthy discussed the request for a discretionary let in line with DHCL's Choice Based Lettings Allocations policy.

6.5.2 M McCarthy referred to DHCL's Allocations policy and discussion took place regarding the exceptional circumstances.

6.5.3 After a lengthy discussion, Board approved the discretionary let in-line with policy.

6.6 Scottish Housing Regulator letter – Mould and Dampness

6.6.1 A Gemmell updated the Board on a letter sent to all Senior Officers in relation to mould and dampness. The letter was attached for Board's perusal.

6.6.2 A Gemmell stated that the Co-operative already had robust procedures in place to combat mould and dampness and take pro-active measures to keep tenants informed and act accordingly if any cases are highlighted to the Co-operative. Changes have been implemented to enhance our procedures to ensure the health and wellbeing of all our tenants.

6.6.3 Board noted the contents of the report.

7. Policy review

7.1 Policy Review report

7.1.1 P Burke presented the following policies to the Board for approval.

- 7.1(i) Audit
- 7.1(ii) Information Technology Cyber Security
- 7.1(iii) Information Communication Technology Strategy

7.1.2 Board approved the three policies.

8. Governance

8.1 Membership Report

8.1.1 There were 87 prospective members on the membership report for approval.

8.1.2 Board approved 87 prospective members and 14 share certificates.

8.2 Ethical Conduct and Notifiable Events

8.2.1 There was one notifiable event submitted to Scottish Housing Regulator on 25 November 2022. The Notifiable Event has since been closed.

8.2.3 There are no ethical conducts to report.

8.2.3 Board noted the contents of the report.

9. Audit, Risk and Staffing sub-Committee

9.1 The minute of the meeting on 12 May 2022 was approved by Members.

P Bradley, HR consultant joined the meeting at this stage to discuss agenda item 9.2, 9.3 and 10.1

Staff present left the meeting except for P Burke, Director

9.2 Recommendations from the meeting held on 10 November 2022, were discussed at length, and approved by Board.

P Burke, Director left the meeting at this point.

9.3 Staffing matters (confidential)

9.3.1 Staffing Matters - confidential. Please refer to the confidential minute.

10. Any Other Competent Business

10.1 P Bradley discussed the outcome of the EVH Pay negotiations for 2023/24.

10.1.1 Board noted the outcome.

Director and remaining staff return to the meeting. J McGoran and M McCarthy did not return to the meeting.

P Bradley left the meeting at this point

10.2 Scottish Housing Regulator (SHR) Landlord Group letter update – DHCL received a response in relation to P Burke participating in the aforementioned group. P Burke was not asked to join at this time.

10.3 P Burke advised Board a letter from SHR was received regarding the Cost of Living (tenant protection) Scotland Bill. SHR is asking that Landlords confirm the planned rent increase for 2023/24 by the 28 February 2023. Board agreed to move the next Board meeting to 21 February to accommodate this.

10.4 A Gemmell advised Board that an alteration request to install solar panels to one of our homes has been received.

10.4.1 A Gemmell visited the tenant and was given an extensive overview of how the system would work and where it would be installed.

10.4.2 A Gemmell advised Board that there would be conditions attached to the permission to install and the tenant agreed to provide energy saving information. The Board confirmed it would be interested in finding out what the cost savings are and asked that the information be provided at a future meeting.

11. Date of next meeting

11.1 The next Board meeting will take place on **Tuesday 21 February 2023 at 6.00pm**

Chair.....Date.....