

Minutes of the Management Board meeting held on Tuesday 30 November 2021 at 6.00pm using ZOOM Video Communications.

Ag3

Present: David O'Hara (Chair)
Elspeth Kerr
David Riddell
Josephine Barnshaw
Helen Eakin
Vincent Ogar
Tiffany Harvey
Andrew Loen
Margaret Bowie

In attendance: Pauline Burke, Director
Duncan McKnight, Technical Manager
Jackie McGoran, Senior Finance Officer
Stephen Watt, Corporate Services Assistant
Maura McAulay, RGDP Data Protection Officer

In light of the current coronavirus situation and Government guidelines, Board agreed that the meeting would be held via Zoom video communication.

The Chair invited the Board to welcome M McAulay who would be presenting at agenda item 5.4. This item would be brought to the start of the meeting.

1. Apologies

- 1.1 Apologies were received from K Watt. Member V Ogar would be late in joining the meeting.
- 1.2 P Burke informed the Board that member J Devine had resigned for personal reasons which the Board duly accepted.

2. Declaration of interest

- 2.1 A Loen declared an interest in agenda item 6.4.

- 2.2 P Burke informed the meeting that staff member C Devlin declared an interest in agenda item 10.2.

3. Minute of the previous meeting

- 3.1 The minute of the meeting on 19 October 2021 was proposed by E Kerr and seconded by H Eakin. These minutes will be signed at the first available date due to Covid-19 restrictions.

Action – S Watt

4. Matters arising

- 4.1 Agenda item 6.6: D McKnight provided a verbal update on the procurement of soffits and fascias. Consilium Contracting Services Ltd submitted the most economical bids for:

Lot 1: carry out timber repairs to barge boards and fascias to selective addresses - £14,108.33 exclusive of VAT

Lot 2: replace barge boards to selective properties - £4,833.40 exclusive of VAT

Lot 3: replace existing timber fascia, soffits and bargeboards in uPVC, together with gutters and down pipes was not awarded, due to an insufficient number of competitive bids and will be re-issued in due course.

5. Director's report

5.1 Management Accounts – Quarter 2

- 5.1.1 J McGoran presented the Management Accounts to 30 September 2021 highlighting the main variances between actual and budgeted spend.
- 5.1.2 The surplus for the year was £298,337 against the budgeted surplus of £6,337. This provided a favourable variance of £291,999.
- 5.1.3 J McGoran highlighted material variances to Board in Statement of Comprehensive Income in particular housing maintenance costs detailing higher reactive and general repair costs that were offset against underspends in both cyclical and major repairs due to painterwork and fascias and soffits programs still to be completed. Consultancy costs were also highlighted with Board being advised that the underspend was largely due to £10k contingency for the options appraisal not being used and the remaining underspend being timing issues.
- 5.1.4 Board were advised that the Statement of Financial Position shows a reduction in cash of just over £350k which is largely due to the payment of the planned maintenance program which is now complete.

- 5.1.5 Equity has increased over the period to £5,553,272 the main factor being the addition of the **£298,337 surplus** generated for the year to 30 September 2021.
- 5.1.6 Board were advised of KPI performance for the period and for those indicators not in line with target explanations for variance was given.
- 5.1.7 The Co-operative has met its interest cover and asset cover targets as set out in its loan covenants
- 5.1.8 J McGoran advised Co-operative continues to demonstrate good liquid cash balances and maintain a healthy, robust financial position. Close monitoring of the potential impacts on the Co-operative's finances continues to be undertaken, and the anticipated resumption of services and staff to office will be managed and reflected in preparing next year's financial budget. Board were advised that the UK's economic outlook due to Brexit, coupled with the recovery from the Covid 19 pandemic and drop in furlough schemes/aids, will be challenging. Shortages in materials/labour have driven up costs. Additional obstacles encountered from tapering down of government support may impact on tenants' ability to pay rent and have a negative impact on the Co-operative's finances. Impact of the aforementioned will be considered and reflected when preparing next year's financial budget. J McGoran invited any questions from the Board.
- 5.1.9 The Management Accounts to 30 September 2021 were proposed by H Eakin and seconded by E Kerr.

5.2 Draft Budget 2022/23

- 5.2.1 J McGoran presented the draft budget for 2022/2023 which had been circulated in full with Board papers highlighting the budgets for the main cost centres and the impact on the main financial statements for the following year. It was highlighted that the annual budget forms part of the annual business planning cycle and reflects the Co-operative's current business plan, operational plans and longer term financial forecasts.
- 5.2.2 Board were advised that the surplus is approximately £30,400 more than the surplus projected in the current business plan at the year 22/23 and a summary of both positive/negative variances was presented to support the movement in surplus. The variances ("permanent" & "1 year only") are estimated to have a net cumulative impact of a slight (£1.3M) reduction in cash by Year 30 of the current long-term approved forecasts – the main driver for the reduction being the addition of the cost of new Bulk Uplift service provided by DHCL. However, surpluses and covenant compliance are maintained throughout the 30 year period
- 5.2.3 Budgeted Statement of Comprehensive Income, Statement of Financial Position and KPI's and covenant compliance were presented to Board for 22/23

and questions invited. Board were advised that Interest covenant target met by the year end.

5.2.4 J McGoran presented scenarios of the proposed rent increase to Board, as requested at Agenda item 10.1 in the October meeting. This included a base figure of October CPI 4.20%; CPI -0.75% (3.45%); Half CPI 2.1%; and a rent freeze. This allowed Board members to see the impact that their collective decision will have on the budget, the impact to the 30-year plan and the impact on covenant compliance.

5.2.5 Following discussion the Board noted the initial draft budget for 2022/2023. A final budget will be presented at the meeting on 25 January 2022 for approval.

V Ogar joined the meeting at 6.42pm.

5.3 LIBOR transition to SONIA

5.3.1 J McGoran provided to the Board background to the transition of Libor loan agreements to Sonia. DHCL received two loan amendment agreements from Nationwide which cover those loans currently on Libor rates. Clarification was given to Board that both the fixed and two base rate loans are also covered by the amendment agreement should the Co-operative wish to move any loans to Sonia in the future.

5.3.2 Board were advised that legal advice was sought from the Co-operative's solicitors MacRoberts regarding the Nationwide amendment agreements. Solicitors advised that that the agreements did not contain any unusual provisions and were satisfied with NBS explanation concerning the wording used in the Loan Market Association reference. MacRoberts raised two issues with NBS but these were not fundamental and were of a 'tidy up' in nature.

5.3.3 After discussion Board approved the Compounded Sonia Rate and the signing of the two amendment agreements for the transition of applicable loan agreements from LIBOR to SONIA. This will be required to be received by NBS by 31 December 2021

5.3.4 Since this is the last Board meeting of 2021 Board approved the Extract Resolution to be provided to Nationwide BS. This details both the Board approval of the Amendment Agreements and that the amendment agreements be executed on behalf of the Borrower by Pauline Burke and David O'Hara as per signatory mandate held with NBS.

Action – J McGoran

5.4 General Data Protection Regulations (GDPR) and Freedom of Information (FOI) – Annual update

- 5.4.1 This item was taken at the beginning of the meeting. Maura McAulay from Really Good Data Protection (RGDP) provided a verbal update on the Co-operative's compliance with UK General Data Protection Regulations (GDPR) and Freedom of Information Scotland Act (FOISA) and Subject Access Requests SAR requirements.
- 5.4.2 M McAulay discussed the challenges which have affected the Co-operative during 2021 and highlighted the most significant events affecting Data Protection were Brexit's impact on legislation, the Covid-19 pandemic and persistent requirement to work from home, and the ever-increasing cyber threat present across all organisations.
- 5.4.3 Progress of Data Protection matters during 2021 was stipulated to be positive, with annual compliance reviews, staff training, regular meetings with the Data Protection Officer, strong records of compliance, and improvements in data retention controls all highlighted. Further work to continue improving across all areas of data protection in the business are in place for the year ahead.
- 5.4.4 M McAulay updated Board that one breach has been reported by the Co-operative during the reporting year. There was no requirement for escalation to the Information Commissioner's Office (ICO).
- 5.4.5 M McAulay reported that three Freedom of Information (FOISA) requests have been received since December 2020, and no SAR requests recorded. All have been completed on time.
- 5.4.6 The Board noted the progress to date.

M McAulay left the meeting at 6.10pm.

T Harvey left the meeting at 7.02pm.

5.5 Corporate Succession Plan – midyear report

- 5.5.1 P Burke informed the Board that four key action areas had been identified from the corporate succession plan and highlighted within the report.
- 5.5.2 Steps which have been taken to ensure that the aforementioned areas are being addressed were relayed back to the Board. It was requested that an early discussion takes place to discuss how to fill the current vacancy and any

future vacancies which may arise prior to the next Annual General Meeting (AGM).

5.6 Risk Management matrix – midyear review

5.6.1 P Burke presented the mid-year review of the Risk Matrix that had been approved at the Board meeting in June 2021.

5.6.2 The top four risks and six medium risks were considered by the Board. P Burke informed the Board that these had been discussed by the full staff working group and agreed that no changes were required. However, a couple of mitigation actions were added:

S1 – Brexit/Scottish independence/inflation rate – Impact of covid/Brexit on supply of materials and rising costs

S4 – IT Systems Failure – IT Disaster Recovery System installed by Brightridge October 2021

5.6.3 The Board noted the risk update.

6. Housing and Technical report

6.1 Rent Review Consultation – 2022/23

6.1.1 P Burke presented the report on the rent review consultation for 2022/23 giving various rent increase options and scenarios and the impact on cash in 2022/23 budget. Also provided was the impact on the 30-year model based on the impact of each rent scenario alone.

The rental increase scenarios were:

- 4.2% (Oct CPI)
- 3.45% (Oct CPI – 0.75%)
- 2.1% (Half Oct CPI)
- Rent freeze

6.1.2 Board had a lengthy discussion along with staff taking into consideration the affordability study information and the proposed rental increases for 2022/23 for the other member organisations of DRUMCOG and Glasgow West of Scotland forum. Also discussed at length was the impact of rising cost of living costs and the impact of covid on tenant's incomes due to job losses etc and for the organisation, increased supplier and planned maintenance costs and the impact of the carbon neutral agenda on DHCL's finances going forward.

6.1.3 Board agreed it was a very difficult and challenging decision to take this year with both tenants and the organisation feeling the impact of rising costs, whilst at the same time trying to align rents with those of the local housing providers.

6.1.4 After careful consideration, taking everything into account Board agreed to consult tenants on the following rent increases:

- 2.1%
- 3.1%
- 3.45%

Results of the rent consultation exercise will be brought to Board at the meeting on 25 January 2022

At 7.47pm, it was agreed to suspend Standing Orders.

6.2 Maintenance spend to 30 September 2021

6.2.1 D McKnight presented the report and updated Board on expenditure incurred on reactive repairs, general repairs, technical surveys and cyclical repairs to 30 September 2021.

6.2.2 Board were advised that a positive variation of £116,155 existed across all cost centres.

6.2.3 D McKnight highlighted that negative variations relating to reactive repairs and general repairs were primarily associated with catch up repairs associated with Covid-19 restrictions. Referring to positive variations within technical surveys, cyclical repairs and major repairs, D McKnight informed Board that timing issues were the dominant factor and should align with budgets as the year progresses.

6.2.4 Board were also advised that there had been an overspend in adhoc component replacements to date of £25,772 due to essential replacements having to take place.

6.2.5 The Board noted the maintenance expenditure update.

6.3 Planned Maintenance progress report

6.3.1 D McKnight informed Board both window and bathroom projects are now financially complete, and the kitchen and boiler replacement (Year 1) is in the final stages of measurement. D McKnight highlighted the cost summary detailing the costs for each program to the Board.

6.3.2 D McKnight informed Board of the Procurement investment works for 2022/23 which represent Year 2 of the five-year investment plan.

6.3.3 The kitchen and boiler contract with L & D Plumbing & Tiling Ltd was established as a term contract for three years and 2022/23 will be year two of the contract.

6.3.4 Previous procurement exercise for windows and bathrooms, included a priced option for year two works, subject to performance and at client's discretion. MCN have provided contract cost of £86,721.10 (excl VAT) for bathroom replacement program and Sidey Solutions Ltd for year two of window replacements is £101,812.99 (excl VAT).

6.3.5 The Board noted that planned maintenance programs were now complete and approved the appointments of the aforementioned contractors to carry out Year 2 bathroom and window replacement works as per quoted contract price.

Action – D McKnight

A Loen leaves the meeting at 8.01pm due to an interest in Ag6.4

6.4 Offer of Housing – connected person

6.4.1 D McKnight informed the Board that the offer of a housing to someone closely related to a Board member must be approved prior to awarding the property, in line with our Allocations Policy and our Entitlements, Payments and Benefits Policy.

6.4.2 The Board considered the beneficiary and approved the offer of housing to this applicant.

A Loen returned to the meeting at 8.04pm.

6.5 Exceptions report

6.5.1 J McGoran informed the Board that Arrears as per ARC Indicator 27 had increased from 2.91% in September 2021 to 3.73% in October 2021. The increase was reflective of changes in the approach to the calculation.

6.5.2 Board were advised that when calculating arrears percentage only housing benefit/universal credit technical due for those tenants in arrears will be included. This has changed from including all HB/UC technical due for all tenants regardless of balance.

6.5.3 The Regulator has been advised through the Covid quarterly return that we have amended our approach to the calculation of payments in HB/UC due but not yet received in Indicator 27 and will use this new approach when completing this year's ARC, highlighting the change in calculation in the annual return.

6.5.4 The Board noted the exceptions report to 31 October 2021 and the changes to the calculation of ARC 27.

6.6 Procurement Policy amendment

6.6.1 D McKnight referred Board to the recommended amendments to the Procurement policy expenditure levels by the Internal Auditor, Quinn Internal Audit Services Ltd:

- Tier 2 upper procurement value to £10,000
- Tier 3 lower value to £10,000
- Tier 3 - appointment of a single consultant or contractor for a business-critical function to £15,000

6.6.2 Board approved the adjustments to the Procurement policy.

7. Policy review

7.1 Policy Review report

The Board noted the two policies for review this month.

7.1(i) Rent Policy

7.1.1 Board approved the Rent policy.

7.1(ii) Rent Management Policy

7.1.2 Board approved the Rent Management policy.

8. Governance

8.1 Ethical Conduct and Notifiable Events

8.1.1 The notifiable events report was presented to the Board.

8.1.2 There remains one notifiable event open which was submitted to the Scottish Housing Regulator on 8 September 2021.

8.1.3 The Board noted the notifiable events update.

9. Audit, Risk and Staffing sub-Committee

9.1 Minutes of the meeting on 12 August 2021

9.1.1 The minute of the meeting on 12 August 2021 was noted by the Board.

Due to the confidential nature of the following item, staff left the meeting at 8.10pm.

9.2 Recommendations from the meeting on 4 November 2021 – Confidential

9.2.1 Please refer to the confidential minute.

Staff returned to the meeting at 8.18pm.

10. Any Other Competent Business

10.1 Men Matter Scotland donation request – the local charity Men Matter have requested a donation to assist families living in the community. It was agreed by Board that the Co-operative will donate £250 now and if no further requests are received between now and the financial year-end (March 2022), a further donation of £250 will be made.

Action – J McGoran

10.2 Board Appraisals – the annual Board appraisals are due to take place on Tuesday 14 December and Wednesday 15 December. These have been agreed with Board members and SE Training and will take place over Zoom Video Communications again this year. The appraisal questionnaire will be disseminated to all Board members this week by S Watt and are due to be returned to Stuart Eglinton by 10 December 2021.

Action – S Watt

10.3 Health & Safety responsibilities – the annual EVH H&S Control Manual understanding of health & safety responsibilities are due to be signed by staff and Board shortly. It was agreed that S Watt will be in touch to arrange signing of this document.

Action – S Watt

10.4 SDM invoice – P Burke advised that approval is sought for the SDM software annual license fee for the sum of £12,626.53. Board approved this payment.

11. Date of next meeting

- 11.1 The next Board meeting will take place on Tuesday 25 January 2022 at 6.00pm using ZOOM Video Communications.

The meeting closed at 8.25 pm.