

**West of Scotland Housing Association  
Minutes of the Board Meeting  
Held by Video Conference  
Wednesday 26<sup>th</sup> August 2020, 5.30pm**

<p><b>Present:</b> Ruth Simpson (Chair), Clare Newton, Nick Farrell, Kelly Adams, Ann Reid, Derek McGowan, John Shearer, Irene Campbell, Paul MacNeil, Ryan Docherty</p> <p><b>In Attendance:</b> Brian Gannon, Chief Executive Officer, Colin MacCallum, Director of Finance, Jennifer Cairns, Director of Corporate Services; Robert Campbell, Director of Housing and Community Services; Andrew Kubski, Director of Development &amp; Asset Management.</p> <p><b>Apologies;</b> Elaine Davidson (leave of absence), Paul McCandlish, George Kpodo</p>	
<p><b>Disclosure of Interests</b> None.</p>	
<p><b>1. Approval of the minutes of the 24<sup>th</sup> June 2020</b> The minutes from the meeting held on 24<sup>th</sup> June 2020, were approved subject to deletion of Paul McCandlish’s name from the list of those present.</p>	<b>Approved</b>
<p><b>2. Matters Arising</b> The Board received an update on actions arising from the previous Board meeting on the 24<sup>th</sup> June 2020. All updates were noted.</p>	<b>Noted</b>
<p><b>3. Annual Accounts 2019-2020</b> The Director of Finance explained that the purpose of this report was to advise the Board that the audit of the financial statements of the Association for the year ended 31 March 2020 was now complete. He noted that the external auditor, Alexander Sloan &amp; Co (“Sloans”), presented their findings to the Audit Committee on 26 August 2020 and advised that they are to issue an unqualified audit opinion. This report requested the Board approve the financial statements subject to any minor presentational or narrative disclosure changes that the auditor may require and confirmation that the Audit Committee has recommended their approval. The Director of Finance took the Board through the main parts of the report and the accounts. The CEO noted that the resignation dates of two Board members on page 2 required to be corrected. The Board:</p> <p>1. approved the financial statements,</p>	<b>Approved</b>

<p>2. delegated the signing of the Directors Report and Statement of Board's responsibilities in respect of Internal Financial Control to the Company Secretary,</p> <p>3. delegated the signing of the Balance Sheet to two members of the Board and the Company Secretary, and.</p> <p>4. delegated the signing of the Letter of Representation to the Chair and Company Secretary</p>	<p><b>Action</b></p>
<p><b>4. 5 and 30 Year Financial Projections</b></p> <p>The Director of Finance presented a report on the Five Year Financial Projections which are due to be submitted to the Regulator by 30 September 2020.</p> <p>The projections reflect the actual opening position at 1 April 2020 and the June update of the Development Programme.</p> <p>The parameters used for the sensitivity tests were those provided by RBS in 2019.</p> <p>The Director of Finance noted that as in 2019, we have also considered a separate scenario significantly increasing inflation and interest rates in the early years of the projections associated with a no deal Brexit shock.</p> <p>The basecase model which forms the submission to the Regulator indicates that the association generates annual surpluses in each year, complies with all its lending covenant obligations with all loans repaid by the end of the 30 year period.</p> <p>The submission to SHR was attached as an appendix to the report.</p> <p>The Board noted:</p> <ul style="list-style-type: none"> <li>• that the basecase model shows a surplus in each year under review and generates surpluses of £73m over the period.</li> <li>• The Interest Cover Ratio (ICR) and gearing covenants are met throughout the period.</li> <li>• All debt is repaid at the end of the period.</li> <li>• In most case the sensitivity tests led to a reduced surplus. If all the sensitivity scenarios were to arise simultaneously throughout the entire period, the combined effect would be to eliminate the basecase surplus and lead to an aggregate deficit of £57 for the period with loans of £122m outstanding at the end of the period. The Director of Finance noted that this was an extreme outcome and would not arise as the association would take steps to increase income or perhaps more likely reduce expenditure in the early years of the period so as to ensure that deficits were not incurred and that the ICR covenant requirement continues to be met.</li> <li>• Rerunning the aggregation test, while retaining the CPI+1% rent rises until 2027 significantly improves the outcome which stays in positive territory.</li> <li>• The ICR and gearing covenants are both met throughout the 30 year period in both the basecase model and in all individual sensitivity tests.</li> </ul> <p>Paul McNeil asked what did Colin use to determine possible financial impact of Brexit. Colin advised that he used the Bank of England's published assessment.</p>	

<p>Kelly Adams asked whether the SHR received the type of information in the cover report in addition to the submission in appendix 4. Colin advised that it did and he will send both the Board report and the 30 year projections in an excel spreadsheet to the Regulator. Colin noted that the SHR was particularly interested in the ratios on page 18 of the report and would compare the ratios to those of other RSLs.</p> <p>The Board:</p> <ol style="list-style-type: none"> <li>1. Approved the five year projections.</li> <li>2. Authorised the Director of Finance to submit the Five Year Financial Projections return to the Regulator by 31 August 2020.</li> </ol>	<p><b>Approved Action</b></p>
<p><b>5. Preparation for Annual Assurance Statement</b></p> <p>The Director of Corporate Services presented this report which noted that in February 2019, the Scottish Housing Regulator introduced a new Regulatory Framework. A key aspect of this Regulatory Framework is for the Board of each RSL to prepare and submit an annual Assurance Statement to the Scottish Housing Regulator on their position in relation to compliance with the Regulatory Requirements as detailed in Chapter 3 of the Regulatory Framework.</p> <p>The Director of Corporate Services noted that in order for the Board to prepare this annual statement, they must have assurance in respect of compliance with each of the Regulatory Requirements, therefore it is essential that the Board is fully involved in the process.</p> <p>She also noted that this was the 2<sup>nd</sup> Assurance Statement that WSHA is preparing, the report outlined progress on improvement actions from the previous year and the findings of the Short Life Working Group in respect of their review.</p> <p>As part of the process this year, the working group considered whether the Covid 19 situation had impacted on our compliance with the Regulatory Standards and Requirements. Overall, they concluded that there was no significant impact in relation to compliance and in some areas, the current situation has enhanced our compliance.</p> <p>The SLWG had in particular focused on what assurance that they have as Board members that the Association complies with the requirements and standards. The report and appendices outlined their findings for discussion with the full Board to get their views on assurance of compliance. The report also detailed the next steps in relation to the process for preparing to submit the Assurance Statement.</p> <p>The SHR have consulted with landlords in respect of the Assurance Statement deadline this year and asked if landlords needed the deadline of the 31<sup>st</sup> October to be extended due to the Covid 19 situation. We have fed back that we are on track for the 31<sup>st</sup> October deadline and will be submitting our Assurance Statement by this date.</p> <p>The report also outlined the next steps in our process. At the Board meeting in September, the Board will consider the identified areas of improvement and assess whether they are areas of non compliance or simply areas of improvement. If the Board identify any areas of non compliance, they will then consider whether these areas are materially non compliant and therefore need to be disclosed in the Board's Assurance statement this year.</p>	

<p>The Board will then approve and sign off their Assurance Statement at the Board meeting in October and it will be submitted to the SHR by 31<sup>st</sup> October. We will then communicate this to our tenants and external stakeholders following submission.</p> <p>The Board discussed the contents of the report. Kelly Adams noted that it was difficult to know whether we were on the right lines if the SHR had never commented on our first AAS. BG advised that he would raise the lack of feedback on the AAS and our Business Plan at his telephone call with SHR next week and also our preference to receive our Engagement Plan before we approve our next CBP in Feb 2021.</p> <p>Irene Campbell commented on the very robust and comprehensive approach staff had taken to give the Board the necessary assurance that WSHA is meeting or regulatory requirements and standards.</p> <p>The Board noted that further consideration would take place at the September Board meeting where this year's Assurance Statement would require to be approved before submission to the Regulator.</p>	<p><b>Noted.</b></p>
<p><b>6. Reactive Repairs and Void Contract - Options Appraisal</b></p> <p>The Director of Development &amp; Asset Management presented a report on the above and noted that the recommendation to explore the option of taking the repair and void contracts in-house, was approved by Board on 26 February 2020. Following a procurement exercise undertaken on our behalf by HubWest Scotland, Turner and Townsend were commissioned to explore our procurement options, including “in-house” delivery as an option. The delivery of this piece of work was a Key Business Objective in our Corporate Business Plan.</p> <p>The Director of D&amp;AM then took the Board through his report and the report by Turner &amp; Townsend, which he noted had been a thorough piece of work.</p> <p>The report to the Board noted that the combined value of the reactive repairs and void contract amounts to around £2.1million of budgeted expenditure per annum. This includes VAT at 20%.</p> <p>The report noted that the Board had previously approved the timeframes of the two separate reactive and void repair contracts to merge to a single expiry date of 31<sup>st</sup> March.</p> <p>The report from T&amp;T detailed the work that they have undertaken including stakeholders' engagement, with members of the Board invited to the initial consultation event. During the process they consulted on a number of options</p> <ul style="list-style-type: none"> <li>• Option 1 - Change nothing - maintain existing service arrangements</li> <li>• Option 2 - Outsourcing Reactive and Void maintenance under one arrangement</li> <li>• Option 3 - Outsourcing Reactive, Planned and Void maintenance under one arrangement</li> <li>• Option 4 - Insourcing of Reactive and Void services</li> <li>• Option 5- Partnership with neighbouring Housing Association(s), Local Authority, Hub or others to deliver maintenance of Reactive, Planned and Voids</li> </ul>	

- Option 6 - Hybrid In-house/Outsourced Delivery

The 6 options were scored by WSHA facilitated by T&T working collaboratively as part of a joint workshop held on 18<sup>th</sup> June. The results of the workshop showed 'Option 4 - Insourcing of Reactive and Void services' scored marginally higher than 'Option 2 - Outsourcing Reactive and Void maintenance under one arrangement.

On the basis of this outcome, T&T were asked to undertake a full financial model on the in-house option and, in tandem, were asked to undertake extensive soft market testing to establish if there was likely to be contractor demand should we openly tender the contract.

The D of D & AM noted that from the work undertaken, it was clear that the in-house model may not bring the cost savings (mainly from VAT efficiency) that was perhaps anticipated at the outset. In fact, assuming the model is accurate, an in-house model may actually be more expensive if we are not being charged prelims that were part of the framework agreement we procured our current reactive contractor from.

He also noted that there would also appear to be an unacceptable of transfer of risk to the Association, albeit one we would be able to manage with the correct resourcing.

In addition the soft market testing undertaken by T&T also underlined that although there are a number of Tier 1 contractors who are withdrawing from the social housing market, there are a number of Tier 2 operators who remain extremely positive and interested in providing a combined service to our customers.

In conclusion the exercise had proven to be extremely useful as we have taken comfort that there would be market interest for our contract.

We have also established that any benefits of taking the option to deliver this service to our tenants in-house, are insufficient when compared with the unacceptable transfer of risk to the Association.

Nick Farrell asked for clarification of 2.6 in the report in respect of the current higher "prelim" costs incurred under the current reactive contract.

The D of D&AM explained the background to procurement of the Robertson's contract and the fact that we were paying for all their overheads to deliver the contract that would normally be shared across a number of RSL contracts and as a result procurement of a new contract was likely to lead to savings in the contract price.

Nick noted the potential benefits from control of delivering your repairs and voids service in-house. The D of D&AM agreed but noted the transfer of risk from the contractor to WSHA was significant and we would not expect to achieve sufficient savings in expenditure that would compensate taking on that greater risk.

Ryan Docherty asked what contractors were likely to bid. The D of D&AM noted that the T&T report listed the potential contractors and that the market was now more buoyant than previously.

Ryan asked whether improvements in service delivery might come from the need to work differently under Covid. The D of D&AM noted the opportunities to use digital technology and that this would be a key part of any new contract.

John Shearer queried about whether a procurement process may lead to higher costs as the market may have increased their costs. The Director of

<p>D&amp;AM confirmed that this had been part of the market testing and at present it appears that costs are tending to be lower than pre Covid. Irene Campbell gave her experience of going full circle from an inhouse model to, use of small contractors, then to a large contractor. She noted from her experience the negatives in her opinion of delivering in-house in terms of management of resources and felt that it was the right decision for WSHA to procure a new R&amp;V contract rather than bring it in-house. The Board noted the contents of the report and approved the recommendation to undertake a procurement exercise for the delivery of the reactive and void contracts as a single contract on the Public Contracts Scotland platform.</p>	<p><b>Approved. Action</b></p>
<p><b>7. Charter Report</b></p> <p>The purpose of this report was to advise the Board of how we will communicate our performance against the outcomes and standards of the Scottish Social Housing Charter and seek their approval in relation to the draft report.</p> <p>The Director of Corporate Services advised that we have used tenant feedback via TAG to create the annual Scottish Social Housing Charter and Annual Report for 2019/20. This year we have created an online report and the link will be sent via text to around 2000 tenants and emailed to around 200. It will also be shared via social media and to ensure we communicate it with those that do not have access to text or email, a paper summary will be included with the Winter Westworld. The paper outlined the considerations and provided assurance to the Board that we are meeting the regulatory requirements in respect of the SHR Regulatory Framework.</p> <p>The Board approved the content and design of the Scottish Social Housing Charter and Annual Report 2019/20 and agreed for it to be shared with all tenants and other stakeholders.</p>	<p><b>Approved</b></p>
<p><b>8. Corporate Business Plan 2021/2026 – Review Process</b></p> <p>The CEO presented a report the purpose of which was to invite the Board to consider the process for reviewing our 5-year Corporate Business Plan.</p> <p>The CEO noted that we were late in starting last year’s review (in October as opposed to August). This year we have an opportunity to start the process earlier to ensure effective consultation with all stakeholders. A further significant issue of consideration was that it was important that we agreed our draft budget and draft Key Business Objectives for the next financial year in advance of consulting with tenants on the proposed rent increase. The CEO noted that this will make rent review consultation more meaningful and will take in to account any new business priorities that have a financial implication.</p> <p>The CEO took the Board through each stage of the process. The Board approved the report.</p>	<p><b>Approved</b></p>
<p><b>9. Programme for Reviewing our Rent Policy</b></p> <p>The Director of Housing &amp; Community Services presented a report to advise the Board of progress with the review of the Rent Setting and</p>	

Service Charging Policy (the Policy). The Board were being asked to agree the principles included in a new policy and to agree the next steps prior to submitting a new policy for approval by the Board.

The D of H&CS noted that the Association reviewed the Policy last year. However, based on the Corporate Business Plan (CBP) objective in relation to becoming more efficient and reducing costs, including a commitment to keeping rent increases as low as possible, it was considered beneficial to review the policy again to assist achieve this objective, and to provide greater clarity and transparency in the way the Association sets its rents. As a review of the Policy has not explicitly been identified as a priority within the CBP it was considered necessary to highlight the review to the Board.

The report detailed the work that has been carried out in relation to reviewing the Policy including consultation with TAG (our Tenant Advisory Group). Basic principles have been agreed with them and these were outlined in the report for information and consideration.

A formal meeting was held with TAG on 30<sup>th</sup> July following an informal briefing earlier that month. TAG has provided feedback which has helped steer the direction of the principles contained in the Policy. Wider consultation will be held with tenants once this report has been considered by the Board.

The D of H&CS noted that the existing Policy based rent setting on three elements; property type, size and age. Work carried out by the working group, and the consultation with TAG, suggested that property type and size should remain in the new Policy but not age.

A new rent setting model would also be established and tested to ensure it secures the necessary income for the Association while balancing the need to maintain affordability for our tenants (particularly for single people in one bedroom homes).

The D of H&CS noted that he hoped that, based on current progress and what needs to be achieved before then, this report will form a precursor to a new policy being passed to Board for approval in October, which will assist with the rent increase consultation process for 2021/22.

Ruth Simpson queried whether it was feasible to deliver the proposed changes in such a tight timescale. The D of H&CS acknowledged that it was challenging but based on progress made to date it was feasible.

Irene asked about the challenges of carrying out a consultation under Covid. The D of H&CS noted the consultation that had already taken place and that this in fact had pushed staff to bring the proposals forward due to concerns about the fairness and transparency of the current policy expressed by TAG and tenants in general.

Nick Farrell asked whether we should take location in to account. The D of H&CS noted difficulty of using subjective measures such as location. We were trying to avoid similar subjective factors such as the amenity based on age of the property, for example when does a New Build stop being a New Build.

Nick Farrell asked why we would not set a different rent for bungalows from houses due to higher build costs. The D of H&CS noted that this was also staff's view but that TAG felt that most tenants in bungalows hadn't

<p>chosen to live in a bungalow, it was out of necessity due to mobility issues and that a higher premium would be unfair.                  Nick asked about demand for 1 beds and how rent level affected that. The D of H&amp;CS advised that demand varied according to location.                  Clare Newton raised concern about rent consultation over Christmas. The CEO noted this was a challenge for every HA as the timing was linked to the Business Planning cycle.</p> <p>The Board approved the principles to be included in the new Rent Setting and Service Charging Policy and the programme for completing the review of the new policy.</p>	<p><b>Approved</b></p>
<p><b>10. Change of Signatories</b>                  The Director of Finance explained that purpose of this report was to seek authority for additions and removals to the existing list of signatories with our lenders in respect of authorising payments, transferring funds between financial institutions and bank accounts, and drawing funds on existing borrowing facilities. The changes are required due to changes in personnel and organisational structure through retirements and promotion.                  The Board approved the proposed changes to the list of authorised signatories.</p>	<p><b>Approved</b></p>
<p><b>11. Board Brief</b>                  The Board noted the Board brief and approved a £500 donation to the charity CHAS. The CEO also requested that Board members make every effort to attend the Board and Leadership Team Business Plan review session on 11<sup>th</sup> September.</p>	<p><b>Noted and approved.</b></p>
<p><b>12. Coronavirus Update</b>                  The Director of Corporate Services presented the latest report outlining the impact of Coronavirus on our services and business. The report noted that as we come out of lockdown we have started to resume services that were otherwise not being delivered. The report gave an update on our approach to delivery of essential services. The report also provided an update in respect of our position in relation to re-opening the office. Updated financial information was also included to allow us to continue to monitor the financial impact of Covid 19.                  The Board noted the latest report.</p>	<p><b>Noted</b></p>
<p><b>13. Quarter 1 Performance results</b>                  The CEO summarised the papers and apologised that the one of the appendices outlining the key results were not included in the papers. The new performance report outlined the performance in respect of Corporate Business Plan Actions and also detailed some of the main KPIs showing where results had been particularly good or where we had not met our target, improvement actions were set out. The Board were to be emailed the missing report after the meeting.</p>	<p><b>Noted Action</b></p>



<p><b>14. Management Accounts</b>                  The Director of Finance presented a detailed report which invited the Board to note the financial performance of the Association for the quarter to June 2020 as shown by the management accounts.</p> <p>The report noted that surplus for the period was £867k against the budgeted surplus for the quarter of £19k, largely as a result of delayed maintenance expenditure due to Covid-19.</p>	<p><b>Noted</b></p>
<p><b>15. Secretary Report</b>                  The Director of Corporate Services as Company Secretary presented the annual report as required as per Rule 68 in the Association’s rules to confirm in writing to the Board that rules 62 to 67 have been adhered to and if they have not then reason must be given.                  The report noted compliance with these rules.</p>	<p><b>Noted</b></p>
<p><b>16. Health &amp; Safety Update Report</b>                  The Director of Corporate services presented the latest report which gave the Board an outline of current H&amp;S issues across the Association. The key activities this quarter were in relation to the risk assessments, H&amp;S Organisational Chart and continued focus on H&amp;S matters relating to the Covid-19 situation. The Director of Corporate Services noted that a further more detailed compliance report in terms of tenant and resident safety has been reported to the Audit Committee.</p>	<p><b>Noted</b></p>
<p><b>17. Organisational Improvement Plan (OIP) Update</b>                  The CEO presented the Board with a quarterly update on the Plan and noted the excellent progress that had been made completing actions in the plan despite the current challenges due to Covid-19. He noted that the decision not to furlough staff had been instrumental in ensuring the we continued to deliver on both the actions within this plan and the Corporate Business Plan.                  Out of 150 individual actions within the OIP 108 were now complete and only 3 had not been started.                  On behalf of the Board Irene Campbell expressed her thanks to staff for the impressive progress made to date.                  The Board noted the report and also that this latest updated would be passed to the Scottish Housing Regulator.</p>	<p><b>Noted</b></p>
<p><b>18. Group Information</b></p> <ul style="list-style-type: none"> <li>• Willowacre Trust Board minutes, 11<sup>th</sup> August 2020</li> <li>• Willowacre Trust Annual Accounts – 2019/20</li> <li>• Tenant Advisory Group minutes, 30.07.20</li> </ul> <p>All the above were noted.</p>	<p><b>Noted.</b></p>

B/20/086 – Minutes from Previous Meeting

<b>16. Resolutions</b> There were no resolutions to note.	<b>Noted</b>
<b>17. Notifiable Events</b> These were noted.	<b>Noted</b>
<b>18. A.O.C.B.</b> No other business.  Clare Newton left the meeting at this point.	
<b>19. AGM Report</b> The Director of Corporate Services as Company Secretary presented the AGM Report. The report outlined the format of the online SGM and AGM and the process for these meetings. She advised the Board of the Board Members who were due to retire by rotation and confirmed all were seeking re-election. She advised the Board that Clare Newton had been on the Board for a period longer than 9 years and therefore in line with WSHA Rules the Board are required to assess Clare's effectiveness before she goes forward for re-election. The Chair provided her view in relation to Clare's effectiveness and the Board agreed that Clare made a valuable contribution to the Board. It was agreed that Clare Newton should seek re-election at the AGM on the 23 <sup>rd</sup> September 2020.	<b>Agreed</b>
<b>Date of Next Meeting – 30<sup>th</sup> September 2020</b>	