

**Cloch Housing Association**  
**Minutes of Board Meeting**  
**To be held on Tuesday 6<sup>th</sup> August 2019 at 6.15pm**  
**At Cloch's Offices, 19 Bogle Street, Greenock**

**Present:** Julianne Scarlett, Chair  
 Monica Sheekey, Vice Chair  
 Alison Greenhill, Secretary  
 Eileen Tamburrini  
 Karen Wilson  
 Alison Greenhill  
 Brian Corrigan  
 Heather Thomson  
 Kelly Ferns

**Attending:** Paul McVey, Director  
 Alana Durnin, Finance Director  
 Andy Thomson, Housing Services Manager  
 Paul McColgan, Property Services Manager  
 Liz Bowden, Corporate Services Manager (minute taker)  
 Kim McFarland, Customer Connector (observer)  
 Brian Praties, Development Manager, Oak Tree Housing Association  
 Freya Lees, North Star Consulting  
 Allison Devine, Alexander Sloan

Item	Description
1.	<p><b>Apologies &amp; Declaration of Interest</b></p> <p>Apologies were submitted from Ronny Lee.</p> <p>Eleanor declared an interest in Item 3 as she is on the Board of Financial fitness.</p> <p>Monica declared an interest in Item 3 as she is a tenant of Cloch Housing Association.</p>
2.	<p><b>Approval of Annual Accounts</b></p>
2.1	<p><b>Presentation of Annual Accounts by Allison Devine, Alexander Sloan</b></p> <p>A power point presentation of the 2018-19 Annual Accounts was given by Allison Devine. It covered:</p> <ul style="list-style-type: none"> <li>• Report on Financial Statements</li> <li>• SHAPS pension scheme and its impact</li> <li>• Audit report.</li> </ul> <p>The Auditor reported that there was an overall surplus of £1.487M. She went on to say that this year there have been significant changes to the way the pension liability is accounted for. Last year, the Statement of Financial Position had to</p>

show Cloch's obligations to payments for the pension deficit recovery plan. This is still in place, however from 2018/19 onwards, a new accounting valuation method has to be applied, which values the liability of each Associations' pension liability taking account of factors such as previous and existing DB members, length of service, age profile and pension projections and external factors, e.g. inflation, life expectancy projections, projections on the performance of assets, (pension fund investments). The new accounting method has resulted in two adjustments showing in the Annual Accounts - the opening pension value adjustment and an adjustment to this value associated with the 2018/19 assumptions being applied. The Auditor commented that these are very substantial figures and reduced the surplus to £709,000. In future years, Cloch will always have a year-end pension liability adjustment, (annual adjustment), however in future years this will not always have such a high restatement value. It was noted that changes to the pension liability are a non-cash transaction like depreciation and therefore these figures do not affect cash flow.

The pension explanation was queried by a Board Member on how it relates to the pension deficit payments. The Auditor responded saying it is not related to the pension deficit payment – the pension deficit payments are confirmed by The Pension Trust following triennial valuations. The two are separate and the assumptions used in the Accounting method use different assumptions to value the liability in comparison to the pension deficit repayment plan.

It was also noted that in the Annual Accounts there are a couple of pages of disclosures relating to the pension liability.

The Auditor referred to the Statement of Financial Position. This looks at assets and liabilities at 31<sup>st</sup> March 2019. This is a snapshot in time. The SOFP demonstrates financial health. The Auditor highlighted that there were net current asset of £2.124M and that this demonstrates that Cloch can pay its liabilities when they fall due. She also commented that there was a new figure under pensions and other provisions, relating to the pension liability and the application of the new accounting method. It was also noted that last year, the SHAPS pension deficit figures were in creditors, however not this year.

The Auditor commented that the notes to the Financial Statement have a lot of detail, which should be read, however her presentation was focussing on the key highlights.

The Finance Director confirmed to the Board that the Defined Benefits scheme is now closed to new employees, with new staff offered a Defined Contribution scheme – it was noted there is no pension liability for the defined contribution scheme, with the commitment of the Association being the contribution percentage paid and not the performance of the pension plan itself.

With regard to the Audit Report, the Auditor stated that it is the auditor's duty to review the financial statement and she confirmed they were a true and fair view of financial position and prepared in accordance with legislation, etc. It was also confirmed that the corporate governance on internal financial control was satisfactory.

The Auditor finished her presentation and was thanked by the Chair.

2.2	<p><b>Reconciliation of Management Accounts to Annual Accounts</b></p> <p>This highlighted what changes had been applied to the Annual Accounts since the Q4 Management Accounts had been presented in May, with the main area of change being associated with the new pension liability figures.</p> <p><b>Recommendation:</b> The Report on Reconciliation of Management Accounts to Annual Accounts was noted by the Board.</p>
2.3	<p><b>Approval of Annual Accounts 2019 2020</b></p> <p><b>Recommendation:</b> The 2018/19 Annual Accounts were unanimously approved by the Board.</p>
2.4	<p><b>Letter of Engagement</b></p> <p><b>Recommendation</b> The Letter of Engagement attached to the Agenda was noted by the Board.</p>
2.5	<p><b>Letter of Representation</b></p> <p>The Letter attached to the Agenda was talked through by the Finance Director. She explained that this is a two paged document that contains a number of representations acknowledging responsibilities for financial records and confirming that they are free from misstatement and omission.</p> <p>Also, the letter covers assets and liabilities and states the Board are happy that Cloch have title to the assets and have included all liabilities. The letter also makes statements on the loan covenants and accounting estimates and assumptions, (for example, arrears provisioning). It also confirms that there are no advances or credit or legal claims that could lead to loss, nor breaches of laws or regulations leading to loss. The Auditor highlighted that subsequent events were also considered as part of the audit process, e.g. reflecting on activities between 1<sup>st</sup> of April and now that might impact the Associations future financial position, however, it was noted there have been no subsequent events, e.g. no plans to leave the pensions scheme.</p> <p><b>Recommendation:</b> The letter was approved by the Board and signed by the Chair.</p>
2.6	<p><b>Management Letter</b></p> <p>The Finance Director talked through the Management Letter attached to the Agenda. This letter sets out a number of areas such as scope of the audit and independence of the auditor. It identified that there were no deficiencies or recommendations for improvement / transactions required to the audit information provided by the Finance Team.</p> <p><b>Recommendation</b> The Management Letter was noted by the Board.</p>

2.7	<p><b>Response to Management Letter</b></p> <p><b>Recommendation:</b> The Response to the Management Letter was approved and signed by the Chair</p>
	<p><i>Heather and Kelly arrived at this point.</i></p>
3.	<p><b>Rent Restructure Proposals</b></p>
3.1	<p><b>Presentation of Rent Restructure Proposals by Freya Lees of North Star Consulting</b></p> <p>Freya Lees presented her report in a Power Point Presentation. The following was discussed and highlighted:</p> <p>Freya confirmed that there was a typo in the report and that she had used Cloch's current rents to do the restructure. The objective was not to lose rental income or gain surplus (additional) income but instead to make the system fairer and increase rents or freeze them until such times as the "ideal model rent" is achieved.</p> <p>The new model is being applied to Kings Glen and the new rents are not too different to the original proposed rents.</p> <p>The proposed model will reduce the number of rent types from 445 to 77.</p> <p>There is a base rent that is applied and the rent is built up from that based on a range of agreed factors and elements.</p> <p>It is suggested that Cloch restrict the amount of monthly increases and freeze those rents which are considered higher than the model until such times as they reach the modelled rental figure. Initially this might generate a limited surplus however this will be used to mitigate and reduce the size of the annual rent increases thereby hopefully making this more manageable for tenants.</p> <p>The following 3 options were asked to be considered with a recommendation to adopt Option 3.</p> <ul style="list-style-type: none"> <li>• Option 1 - Implement the restructure fully on 1 April 2020 but this would see around 9% of tenants immediately paying an extra £30 per month, some increasing as much as £70 per month</li> <li>• Option 2 - Implement the restructure over 2 years with a maximum increase of £50 per month</li> <li>• Option 3 - Implement the restructure over 4 years with a maximum increase of £20 per month.</li> </ul> <p>The Housing Services Manager confirmed to the Board that with regard to the customers on Housing Benefit and Universal Credit, Cloch staff will speak to the DWP about the changes and as long as it is part of a structure, it should be accepted by them.</p>

	<p>The Finance Director confirmed that an increase of 3% is around £180K of an increase in income and that could be considered conversely were a surplus initially to be created.</p> <p>It was confirmed to the Board that</p> <ul style="list-style-type: none"> <li>• All increases will happen on 1<sup>st</sup> April each year with the exception of voids which will be reset as they become available.</li> <li>• Our rents will sit more or less where they are at the moment when compared to Cloch's peers.</li> <li>• There was no issue with affordability when the rents were put in to the SFHA affordability tool.</li> <li>• Service charges will not be affected.</li> <li>• It is about fairness because currently there are different rents for those properties sitting beside each other.</li> <li>• All tenants will get a transparent individual explanation of what is happening. Staff are very aware that the communication of this has to be right for tenants to understand what is happening.</li> </ul> <p><b>Recommendation:</b> The following recommendations were adopted:</p> <ol style="list-style-type: none"> <li>1. The new rent model was approved by the Board.</li> <li>2. Option 3 to implement the restructure over 4 years with a maximum increase of £20 per month was unanimously approved by the Board.</li> <li>3. The proposal to freeze rents rather than reduce rents was also unanimously approved by the Board.</li> </ol>
4.	<p><b>Minutes of 4<sup>th</sup> June 2019</b></p> <p>The Minutes attached to agenda were agreed for accuracy.</p> <p><b>Recommendation:</b> The Minutes were approved by the Board.</p>
5.	<p><b>Matters Arising/Outstanding Actions</b></p> <p>Item 4, 4<sup>th</sup> June 2019: Equalities training – staff have completed the training and about half of the Board Members</p> <p>Item 13, 4<sup>th</sup> June 2019: the Recruit Challenge will take place on 6<sup>th</sup> August and the announcement of who will get the Modern Apprentice post will be made at a Gala Evening on 16<sup>th</sup> August 2019.</p> <p>Item 11, 23<sup>rd</sup> April 2019: the Business Planning Day has been put on hold until the outcome of the options appraisal</p> <p>Item 8, 12<sup>th</sup> March 2019: Killearn Road is at the final stages of the sale. The profit from the sale will be ring fenced in anticipation of asset management strategy and possible buy backs or acquisitions.</p>

6. **Kings Glen Update Report**

The Development Manager spoke to the Report and Appendices attached to the Agenda.

He explained the problems of communication between the planners and consultants which led to a meeting on 23<sup>rd</sup> July 2019. Thankfully, this led to an action plan being produced and this is being worked through. There is only one outstanding action and that is that the Planners Report is to go to Committee in September.

After discussion there is going to be the loss of 1 unit without which Cloch would have terrace blocks at top of Kilmacolm Road instead of Semi Detached Properties. It does mean that unit costs have gone up, however, the project is still viable. There is one caveat; that the contractor is looking to uplift costs. This will be worked through and hopefully clearer at the October meeting.

Currently the modelling shows the costs per unit of £149K. If the costs became unviable, there is the option to apply to Scottish Government to try to secure additional funding. The Finance Director has asked that the Development Manager looks at specification such as the inclusion of artificial grass.

A cost for Cloch's preferred specification for LD2 compliance has not yet been received from CCG.

Currently, there is a four-month delay that will mean a November site start. If it goes beyond this, it will mean making two submissions either side of the financial year for the grant.

The Board asked if any more delays are anticipated – the Development Manager hoped not but again this is at the mercy of statutory consents and further feedback from CCG.

The Director explained that the planners were using the phrase, “the site is overdeveloped”. He commented that this was in the main due to garden space and how they measure it. Inverclyde Council do not seem willing to compromise on this, unlike many other councils, and this has added to the reduction of a unit from the development.

The Board acknowledged that the site had been acquired from Inverclyde Council on the assumption that 50 units could be built on it. The purchase arrangement had allowed for adjustment in unit numbers. Given 57 units are anticipated, the clawback on acquisition will now be £430K instead of the £420k previously noted.

**Recommendation**

The Report and comments were noted by the Board.

The Development Manager left the meeting.

7.	<p><b>Director's Report</b></p> <p>The Director talked through the Report attached to the Agenda. He highlighted the following:</p> <ul style="list-style-type: none"> <li>• OTHA/CHA Options Appraisal: The appointment of the Consultant will be at the end of August with a contract start by beginning of September.</li> <li>• Freedom of Information: The Director explained that in order to respond to FOI requests, the plan is to put more information on website etc. There is a FOI working group and RGDP are working with staff. As part of the move to put more information on line, the Board Minutes will be uploaded. The Board agreed that they do not want to be named as proposers and seconders, just that it was approved. Also they agreed that, when they approve minutes, they will agree then, if anything needs redacted. Julianne asked that the minutes are clear about what decisions have been approved.</li> <li>• Following discussion with the Scrutiny Panel, the Director and Housing Services Manager are looking at a whole new approach to scrutiny, surveys and consultation.</li> <li>• The Director was delighted to announce that the Small Repairs Service started for Cloch tenants on 1<sup>st</sup> August 2019.</li> <li>• The Director has met with Gordon Robb of VR about a Board leadership course. The Board indicated they are happy to work with other local RSL's to organise this course and run it locally.</li> </ul> <p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. The Board noted the Report and comments.</li> <li>2. From Item 2.4, the proposal to remove the identity of approvers from the published minutes and to make decisions on redaction at the time of the Minutes approval was approved by the Board.</li> <li>3. From Item 5.2, the proposal to postpone reviewing EVH Membership was approved by the Board.</li> </ol>
8.	<p><b>Business Planning Report on Quarter 1 KPI's and Risk Mapping</b></p> <p>The Business Plan, KPI's and Risk Map attached to the Agenda were talked through by the Director.</p> <p>The Director commented that the Risk Map is unchanged since it was last reported.</p> <p>With regard to the KPI dashboards he talked through a few areas of concern and highlighted the work that was ongoing to address the issues, particularly in Void Management. He commented that there was consistent performance in finance and factoring and complaints had improved.</p> <p><b>Recommendation</b></p> <p>The Board noted the Report and comments made.</p>

9.	<p><b>AGM Arrangements &amp; Retirals</b></p> <p>The Corporate Services Manager talked through the Report attached to the Agenda.</p> <p>The name drawn for the Board Member to stand down was Kelly Ferns.</p> <p>It was agreed that if a list of those members who will be removed from the list can be produced, then Housing Officers can visit those that are tenants to encourage them to attend. The Corporate Services Manager can also phone to encourage them to attend.</p> <p><b>Recommendation</b> The Board noted the Report and comments made.</p>
10.	<p><b>Report on Governance Appraisals and Action Plan</b></p> <p>The Director talked through the Report attached to the Agenda.</p> <p>In response to a query around whether a Board Member could provide training or was that a conflict of interest, it was argued that a Board Member providing training was acceptable when it was done in the context of giving out information, rather than upskilling.</p> <p>Work will also commence shortly on individual training plans.</p> <p>The Board noted the report and the action plan and updates would be provided.</p>
11.	<p><b>A.O.C.B</b></p>
11.1	<p><b>Approval of Memberships</b></p> <p><b>Recommendation</b></p> <p>The following membership applications were approved by the Board:</p> <p>David Osborn, Flat ½, 8 Hope Street, Greenock Elizabeth Chandler, Flat 2/1, Duncan Place, Main Street, Inverkip</p>
11.2	<p><b>Staff mobile numbers</b></p> <p>Due to a problem with Kelly and Heather getting in to the building this evening, it was agreed to issue mobile phone numbers of staff attending meetings, to the Board.</p>
12.	<p><b>Date of Next Meeting: 25<sup>th</sup> September 2019 (after AGM)</b></p>