

**West of Scotland Housing Association
Minutes of the Board Meeting
Held by Video Conferencing
Wednesday 26th January 2022**

<p>Present: Kelly Adams (Chair), Ruth Simpson, Nick Farrell, George Kpodo, Ann Reid, Derek McGowan, Marc Sloan, Kenneth Fee, Ian Wightman, Elaine Davidson, Paul McNeil</p> <p>In Attendance: Brian Gannon, Chief Executive, Donna Paton, Director of Finance, Jennifer Cairns, Director of Corporate Services; Andrew Kubski, Director of Development & Asset Management; Robert Campbell, Director of Housing & Community Services</p> <p>Apologies: Irene McFarlane, Christine Musasa, Michael Sozansky</p>	
<p>Leave of Absence The Director of Corporate Services advised the Board that Christine Musasa has requested a leave of absence until August 2022 to complete the final year of her studies. The Board approved this request.</p>	
<p>Disclosure of Interests There were no disclosure of interest.</p>	
<p>1. Approval of the minutes The minutes from the meeting held on 26th November 2022 were approved by Paul McNeil and Ruth Simpson.</p>	Approved
<p>2. Matters Arising The Board noted the update on actions from the previous meeting. Ruth Simpson queried about the phone system upgrade. The Director of Finance confirmed that this had gone ahead in December. Ruth advised that she still experienced a delay when she phoned before the phone actually rings. The Director of Finance advised that she would look into this.</p>	Action
<p>3. Annual Budget 2022/23 The Director of Finance presented the budget for 2022/23. She highlighted the key changes in the budget in comparison to the draft budget that was presented to the Board in November 2021.</p> <p>Ruth Simpson queried about the impact of rise in interest costs in the budget. The Director of Finance advised that due to the fact that loan agreements were in place, the interest costs for the Association are static. She advised that she had sought advice from the Treasury Advisors in respect of budget assumptions in the Business Plan.</p>	

<p>Ken Fee noted an error at the top of page 2 where a comma rather than a decimal point was used in two figures showing the budget surplus.</p> <p>The Board approved the Annual Budget for 2022/23.</p>	
<p>4. Consolidated 30 Year Plan</p> <p>The Director of Finance presented the consolidated 30 Year Financial Plan which includes Charing Cross.</p> <p>Kelly Adams confirmed that she was happy with the assumptions that had been applied.</p> <p>Elain Davidson and Nick Farrell queried the £1 million Clydesdale bank loan and asked if we were aware of this and the restrictive covenant. The Director of Finance confirmed that we would look to repay this loan immediately after transfer so that the covenant would not be an issue and she would be coming back to the Board in respect of the tender for re-financing. Ruth Simpson asked what lenders we would approach. The D of F advised that existing lenders have expressed an interest in this re-financing.</p> <p>Kelly Adams queried the void cost as it appeared to look high. The Director of Finance confirmed that this was based on the worst case scenario and that a prudent approach had been taken.</p> <p>Nick Farrell queried the change in the financial situation. He stated that just because it was still positive financially – it might not be acceptable.</p> <p>Ruth Simpson queried if this additional cost would impact our new build programme. The Director of Finance confirmed that there would be no impact on our new build development programme. Ruth Simpson queried if the delay in the new build programme impacts the 30 year plan in respect of rental income. The Director of Finance confirmed that it did but this has been incorporated into the 30 year plan.</p> <p>She confirmed to the Board that the consolidation of Charing Cross HA into the plan would be of no detriment to WSHA and explained the strength in our balance sheet from the Transfer.</p> <p>Paul MacNeil queried about the rent freeze and it was confirmed that this would apply for one year only 23/24 and thereafter it would be a maximum of CPI only rather than the planned CPI plus 1%. It was confirmed that we would also be looking to bring forward CPI only rent increases for all current WSHA tenants as a result of this Transfer where possible.</p>	<p>Approved</p>

Nick Farrell raised his concerns about the change in costs. He queried if we should be changing our offer based on this change in cost. The Director of Finance advised that the costs in the plan were worst case scenario and that a cautious approach had been taken. She confirmed that the transfer was still beneficial to WSHA and WSHA tenants in respect of financial benefit. She agreed that it not as beneficial financially as it was at bid stage but in her experience this is often the case. She advised that contingency was built into the bid in preparation for the potential increase in costs.

The Chief Executive emphasised that the offer was prudent and a worst case scenario as it was envisaged that there may be a change in costs. He advised that our bid was based on the information given and all parties based their bids on this information so revising our offer was not possible or appropriate. He advised that this was the nature of Transfers of Engagements and that there was risk involved. This risk was mitigated by us by building in contingency to the plan which was part of the offer. The Director of Finance confirmed that the offer is still attractive for WSHA and WSHA tenants and that while £6.2 million is a lot of money, it is not material over a 30-year period.

The Director of Development & Asset Management advised that when submitting our bid we were aware that CXHA cost per property was higher than our own. The increase of £6.2m on the 30-year period reflects around £12k per unit over a 30 year period – approximately £400 per unit per annum and when CXHA transfers to WSHA this cost base will align much closer to our existing cost base. . The Chief Executive also noted that our investment planned for the stock would likely result in a fall in repair and void costs to a level that was significantly lower than set out in the Consolidated Financial Plan. Nick Farrell stated he was happy with this.

Marc Sloan queried if overall costs included investment for EESSH2. The Director of Finance confirmed that there is a provision for EESSH 2 but similarly to WSHA there may be need for external funding to fully comply.

The Director of Development and Asset Management explained that we are aware that this provision is not enough for full compliance with EESSH 2 and all RSLs are in a similar situation. He advised that the purpose of the current Pre-1919 pilot was to look at what we can do that will make the biggest difference to tenants in these properties.

Paul MacNeil queried what caused the financial difference between the information we were given at bid stage and this plan. The Director of Finance advised that this plan is more realistic and more detailed as we have more information now.

Ann Reid queried if there would be an issue in respect of the properties being in a conservation area. Ruth Simpson acknowledged that costs would be higher as the properties were in a conservation area. The Director of Development & Asset Management explained that this would not significantly impact day to day maintenance and that our initial external surveys had given no cause for concern on the general condition of the properties.

Kelly Adams also acknowledged that the Director of Finance had prudently presented a worst-case scenario in the financials.

Ruth Simpson pointed out that we need to ensure that current WSHA tenants also receive the same upgrade and investment as required so all tenants get the same value. She raised that it would potentially be more expensive to do this with CXHA properties.

The Director of Development & Asset Management confirmed that the investment programme planned for CXHA does not impact on the programme of investment for current WSHA properties. He also advised that many CXHA tenants are in the position that they are well overdue the upgrade of windows, kitchens and bathrooms and that none of WSHA tenants are in this position.

Ann Reid raised concerns about older properties in other areas of Glasgow and would there would be enough funding available from Glasgow City Council.

The Chair requested that the meeting move on to the next agenda item and discuss the draft business case and due diligence for the CXHA Transfer of Engagements.

5. CXHA and WSHA Due Diligence and Draft Business Case

The Chief Executive presented the legal and financial due diligence reports to the Board.

Nick Farrell stated that he needed more assurance in relation to the shareholder situation.

The Chief Executive suggested that Harper MacLeod attend the next Board meeting to discuss this in more depth with the Board.

Nick Farrell stated that he was not happy about further discussions on CXHA being part of the next Board meeting and asked if a stand alone meeting could be arranged to discuss this in more detail.

It was agreed that another Board meeting would be arranged before the February Board meeting to discuss the CXHA draft business case and due diligence in more detail.

Action

<p>6. Rent and Service Charge Consultation Results</p> <p>The Director of Housing & Community Services presented the results from the recent rent and service consultation. He also outlined the proposed changes in respect of service charges.</p> <p>Ann Reid queried if the Grounds Maintenance Contractor had increased their prices. The Director Housing & Community Services advised that this was not the case and that the proposal was around aligning service charges. He provided an overview of the review of service charge process that had taken place.</p> <p>Nick Farrell queried the issue re high rents for 1 bedroom properties and asked if the turnover was higher. The Director of Housing & Community Services explained that turnover differed depending on the area. Nick queried if freezing these rents would help with turnover. The Director of Housing & Community Services advised that this would have a significant impact on income and the 30 year business plan.</p> <p>The Board approved a rent increase of 2.5% and the proposed change to service charges.</p>	<p>Approved</p>
<p>7. Consolidation Strategy Update & Progress with Ardrossan Disposal</p> <p>The Chief Executive presented a paper with proposed changes to the Consolidation Strategy in relation to the financial assessment process and consideration of disposal costs and the impact of this on our financial position and covenants.</p> <p>The Chief Executive also provided the Board with an update on the Ardrossan disposal.</p> <p>Elaine Davidson queried if there was HAG on the Ardrossan Properties. The Director of Finance explained that the HAG liability would transfer to Cunninghame HA but there was an accounting loss in terms of our book value which she was highlighting as this could potentially impact our covenants and would ensure sufficient headroom was provided for.</p> <p>The Board approved the updates to the Consolidation Strategy.</p>	<p>Approved</p>
<p>8. Customer Care Charter</p> <p>Following on from discussions at the Board meeting in November, the Director of Corporate Services presented the updated Customer Care Charter and outlined what would be put in place in order to monitor and report on performance against the Charter.</p> <p>The Board approved the final Customer Care Charter.</p>	<p>Approved</p>

<p>9. Subsidiary Report The Director of Corporate Services presented the Subsidiary Report to the Board which detailed an update on the activities of Willowacre Trust and Westscot Living.</p>	
<p>10. Gift & Hospitality Register The Director of Corporate Services presented the gift and hospitality register for 2021. She confirmed that the acceptance of gifts were in line with the Entitlements, Payments and Benefits Policy.</p>	
<p>11. Board Brief The Chief Executive presented the Board Brief. He outlined considerations for the board in respect renewing membership of the SFHA. The Board approved the membership renewal for 2022/23.</p> <p>He went on to explain that there had been very little interest in the Thursday evening service for customers despite regular promotion to tenants. The Board agreed to stop Thursday evening service at the end of January 2022.</p> <p>The Chief Executive presented the H&S Declaration to the Board for approval. The Board approved the statement.</p>	<p>Approved</p> <p>Approved</p> <p>Approved</p>
<p>12. Minutes for Noting The Board noted the following minutes:</p> <ul style="list-style-type: none"> • DISC Minutes, 27.11.21 • Audit Committee Minutes 17.11.21 • Westscot Living Board, 09.12.21 • Staffing Sub Minutes, 15.11.21 • Willowacre Trust Board, 16.11.21 	
<p>13. Resolutions The Board noted that the Company Secretary signed the disposition of the sale of a shared ownership property.</p>	
<p>14. Notifiable Events The Director of Corporate Services outlined the 2 current open notifiable events.</p>	
<p>15. Review of Meeting The Board discussed the meeting and agreed that it had been a long meeting. It was agreed that in hindsight a separate meeting would have been better to discuss Charing Cross Transfer of Engagements and that another meeting in February will ensure that there is not the same issue at the February Board meeting.</p>	
<p>Date of Next Meeting – 23rd February 2022</p>	

