

HIGHLIGHTS OF IHA'S BOARD MEETING HELD ON 27 JUNE 2018

DRAFT FINANCIAL STATEMENTS FOR 2017/18

The Board considered the details and thereafter approved the Financial Statements for the Irvine Housing Association and Thistle Housing Services Ltd for the year to 31 March 2018. The Board also approved the submission of the covenant position to funders, noted the content of the Auditors Report to the Audit & Risk Committee and approved the Management Representation Letter.

FIVE YEAR FINANCIAL PLAN

The Board approved the 2018 Five Year Financial Plan for submission to the Scottish Housing Regulator.

ANNUAL LOAN PORTFOLIO RETURN

The Board approved the Loan Portfolio Return for submission to the Scottish Housing Regulator.

FUTURE GOVERNANCE STRUCTURE

The Board considered and discussed the concept of the proposed new governance structure which sought to move to a system of oversight of performance management systems through the use of on-line platforms. The Managing Director was thereafter instructed to develop the detail of the conceptual proposal and present this for consideration at the September Board Meeting.

RULE 67 STATEMENT BY SECRETARY

The Board noted the Company Secretary's formal statement in relation to Rule 67.

PERFORMANCE REPORT

The Board discussed the 2018-19 KPI's. Officials advised that financial performance featured underspends which was due to savings in salaries given the current vacancies, works not yet commencing or charges not being processed to date. This was being addressed through regular meetings with budget holders.

The Board noted the operational performance and compliance indicators reported in Period 2. The main updates from these KPIs were:

- Improved team working in relation to arrears actions was starting to show results, however, the impact of Universal Credit was starting to show in arrears stats which were currently just within target.
- A large, exceptional, spike in voids had resulted in the Association being outwith the relet target. Officials undertook to analyse the reasons for the recent terminations and monitor these statistics closely moving forward.

MD REPORT

The Board noted the position on current negotiations with the landlord in relation to the Association's lease of the premises in Bank Street.

The Board noted that the proposed harmonisation of the Association's terms and conditions with that of Group's was planned over the coming months. It was proposed that this initiative would be taken forward by a Working Group of Board Members and Group's HR Business Partner.

The Board noted the recent adverse press articles being reported in the Irvine Times regarding the Tarryholme development and how this was being addressed. The Board also noted the content of discussions with North Ayrshire Council in relation to the second phase of the site.

THE RIVERSIDE GROUP LIMITED

IRVINE HOUSING ASSOCIATION

Two Hundred and Twenty Fourth Meeting of the Board held at 5.30p.m. on
Wednesday 27 June 2018 at 44-46 Bank Street, Irvine, Ayrshire

Minutes

Present: Mr D. McEachran (In the Chair), Mr C. Bell, Mr G. Darroch,
Mrs J. Galbraith, Mr R. Hill, Miss J. Meek and Mrs J. Murray.

In attendance were Mr P. Hillard, Mrs H. Anderson, Mrs D.
Boyle and Mrs M. Hutchinson,

Apologies for Absence

Mrs M. Burgess, Mr D. Thornton, Mrs C. McGuinness and Mrs
F. Garven.

Declarations of Interests

None.

1. **Minutes of the Previous Meeting held on 29 May 2018**

The minutes of the Board Meeting held on 29 May 2018 were approved
and signed.

2. **Matters Arising from the Previous Minutes**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

b) Annual Return on the Charter (ARC) (Min. 4)

Mr Hillard confirmed that the ARC was submitted within the set timescales. Queries had been received from the Regulator relating to:

- Rent Arrears
- Staffing numbers
- Staff turnover

These queries had been generated due to the figures from last year being significantly different. The Association had replied to all queries from the Regulator advised that most of the reasons for the differences in figures were largely due to implementation of the new Target Operating Model.

3. **Draft Financial Statements for 2017/18**

Mrs M. Hutchinson advised that the Financial Statements for Irvine Housing Association and Thistle Housing Services, Auditors Report and Management Representation Letter had previously been considered in detail by the Audit and Risk Committee at its recent meeting. The Association's auditors, KPMG had also attended this meeting to present their report and answer any queries from the Committee.

Mrs Hutchinson highlighted an amendment to page 3 of the Association's accounts which changed Mr R. Hill's appointment date to 19 September 2017. Referring to the Report of the Board, Mrs Hutchinson highlighted that the Association had made an operating surplus of £3.6m in the year. The key activities undertaken during the year had been:

- The implementation of the Target Operating Model
- The agreement of the new Rent Setting Policy
- The preparation for the Association's new build development programme.

Mrs Hutchinson asked the Board to confirm that it had read and understood the statement of Board responsibilities and the statement in respect of internal controls. The Board confirmed it did.

The Board asked for an amendment to be made at the first sentence of item 2 of the Statement in respect of Internal Controls on page 5 of the accounts, to read "The Association has a robust system of strategic and operational planning including in stressed situations, informed by a system of risk management." This was agreed.

Mrs Hutchinson highlighted that the Report of the Auditor and stated that the opinion was everything that the Association would want it to be.

Referring to the Statement of Comprehensive Income, Mrs Hutchinson stated that turnover had increased by £227k largely due to the 3% rent increase which had been applied in the year. The Board noted that operating costs had reduced by £2.3m due to the Association having some exceptional costs the previous year in relation to the exit from the pension fund and the impairment of the Queen Street properties. Some operating costs had increased from the year including those associated with a new call system and lighting upgrades, a new disabled adaptations budget, which Board had approved and an increase in the Group Service Charge.



Mrs Hutchinson advised that a positive cash flow during the year had allowed the repayment of a £2.5m Group loan.

The Board noted that the Particulars of Income and Expenditure from Social Lettings section had been designed in order to meet regulatory expectations.

Mrs Hutchinson commented that the reasons for the deficits recorded in note 3b had been due to the cost of debt recovery actions in relation to factoring and also disabled adaptations being funded by the Association rather than through grant. Mrs Hutchinson also clarified that other activities were for commercial rent and a project management fee in relation to a EWI works for North Ayrshire Council.

The Board noted that the aggregate compensation costs payable to staff on page 19 had been due to the reduction in staff numbers following on from the implementation of the Target Operating Model.

Referring to page 21, Tax on surplus on ordinary activities, Mrs Hutchinson stated that the tax computation was yet to be received, although she had no reason to believe that any tax liability would arise. The Board advised that they would be unable to approve the accounts without this information. Following discussion, the Board agreed to approve the accounts subject to there being no tax liability. If there was, then authority would be delegated to the Chairman to approve the accounts once the tax liability was known.

Mrs Hutchinson commented that at the Tangible fixed assets page, the £3.6m net book value of the properties under construction was the cost of the Tarryhome development, including the purchase cost of the entire site.

Mrs Hutchinson drew out the main highlights in relation to Debtors and Creditors, detailing in particular the pensions cessation costs which had been paid in 2018 which was also due to be paid again in 2019.

Mrs Hutchinson then referred the Board back to the paper at section 3.14 in relation to Covenant Compliance and stated that the Association had met all targets with comfortable headroom.

The Board noted that the auditor had stated on page 5 of the Auditors Report that there had been not uncorrected or corrected audit misstatements or control deficiencies.

Mrs Hutchinson stated that Thistle Housing Services remained dormant so there were no changes to the accounts other than dates. A discussion then followed on the future of this subsidiary. The Managing Director was instructed to seek appropriate legal advice from the Association's solicitors advising how this subsidiary may be utilised in the future. If this was not in keeping with any of the Association's future plans, then the subsidiary was to be disbanded.

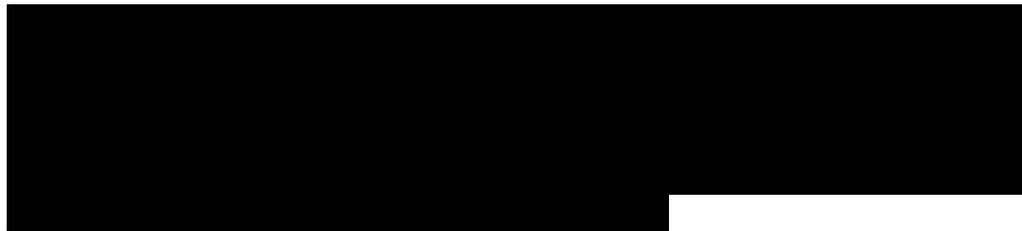
Mrs Hutchinson asked the Board to confirm that they had read and understood the contents of the Management Letter. The Board confirmed that it had and agreed it for signature at the appropriate time.

After full consideration, the Board:

- a) Approved the Financial Statements for Irvine Housing Association for the year to March 2018, subject to there being no tax liability. Authority was delegated to the Chairman to agree the accounts if there was tax liability.
- b) Approved submission of the covenant position to funders.
- c) Approved the Financial Statements for Thistle Housing Services Ltd for the year to March 2018.
- d) Noted the content of the Auditors Report to Audit Committee
- e) Approved the Management Representation Letter.

4. **Five Year Financial Plan**

Mrs M. Hutchinson advised that the Return was essentially an extract of the first 5 years from the Compliant Business Plan which had been approved by Board at its Special Board Meeting in April.



The Board thereafter,

- a) Approved the 2018 Five Year Financial Plan.
- b) Authorised the Head of Finance and Planning to submit the return to the Scottish Housing Regulator.

5. **Annual Loan Portfolio Return**



Mrs Hutchinson stated that the Scottish Housing Regulator asks for the last report on covenants to funders as part of the Return, however, due to the Association only reporting on this annually to its funders, when others report quarterly, it had been agreed with the Regulator that the Association reports on what is due to be reported to its funders.

The Board thereafter,

- a) Approved the Loan Portfolio Return.
- b) Authorised the Head of Finance and Planning to submit the return to the Scottish Housing Regulator.

6. **Future Governance Structure**

Mr Hillard stated that the review of the Governance Structure had been carried out following on from discussions at the Board Strategy Day in February.

The concept of the new structure sought to move to a system of oversight of performance management through the use on-line platforms. Mr Hillard advised that a survey would shortly be issued to Board Members to gain views on a number of aspects which would feed into working up the detail of the concept which had been presented for discussion.

Mr Hillard advised of the proposal to retain the Audit & Risk Committee. The Terms of Reference of this Committee would be reviewed to strengthen its remit and the imminent review of the Association's Risk Management Policy would be an integral part of this. Officials would look to develop an approach which was right for the Association whilst also consistent with Group's approach.

Mr Hillard stated that it was intended that the Operations and the Governance and Staffing Committees were disbanded. The performance monitoring and deeper digging of any issues and reporting of staffing issues would instead be discussed through an on-line platform. It was intended moving forward that Board Members would receive email notifications when items had been added on the REX. Through the proposals of introducing the use of Short Life Working Groups, if deeper digging was required on specific performance management items, Working Groups would be established to look at these specific issues. Mr Hillard envisaged that possible areas for Working Groups to look at may be arrears, or voids and demand. It was also intended that the Corporate Plan be reviewed to determine what Working Groups would look at during the year e.g. Development Appraisal Model, Harmonisation of Staff Terms and Conditions. Membership on these Working Groups would be agreed in line with Board Members skills and knowledge and willingness to participate.

Mr Hillard advised that the new Policy Approval Framework would be submitted for consideration at the September Board Meeting. This would detail the timetable and frequency of reviews and also where approval authority sat. This would be based on a criteria which considered:

- Risk to the Association
- Impact on service delivery
- Regulatory issues.

It was intended that any consultation on these policies would be carried out through the on-line platform. Mr Hillard highlighted that in line with the Constitutional Partnership with Group, certain key Group-wide policies had been identified which the Association would adopt. It was intended moving forward that any review of these policies would be brought before Board for approval prior to Group Board approval. The Board would thereafter adopt the Group-wide policy.

The Board suggested that any policies approved by the Managing Director be issued to the Board for noting. Mr Hillard undertook to incorporate this within proposals.

The Board instructed the Managing Director to develop the detail of the proposals made in the discussion paper and present this for consideration by the Board at the September Board Meeting.

7. **Rule 67 Statement by Secretary**

The Board noted the Company Secretary's formal statement in relation to Rule 67.

8. **Performance Report**

Mrs M. Hutchinson provided a brief overview of the financial performance period stating that the theme throughout the summary was that works had not yet commenced or charges had not yet been processed. Mrs Hutchinson highlighted an error in the paper where a drafting comment in relation to an underspend in salaries had not been updated. Following a check of the ledger, Mrs Hutchinson stated that the underspend had been due to vacancies and savings being made due to cautious budget assumptions for national insurance and pensions costs.

Referring to the risks section of the summary, Mrs Hutchinson stated that due to it being early in the year, the risks detailed in the paper were not a cause for concern at this stage. Regular meetings were being held with budget holders to reinforce the importance of keeping systems up to date.

Mrs H. Anderson advised that following the launch of the new KPI's, there had been some system errors in the reporting period 1, however, for period 2, these had almost been resolved.

Mrs Anderson advised that the Association was currently sitting just inside the arrears target. Work to improve the new ways of working had continued and the results of this were starting to show improvements, however, Officials were now starting to see the impact of Universal Credit. In order to seek to address this, closer working between the Income Collection and Money Advice Teams was being encouraged.

Referring to the Relet target, Mrs Anderson stated that this was currently not being met due to an abnormal number of 44 voids with the Association at this period. Following a query from Board, Mrs Anderson stated that initial analysis had suggested that the main reasons for tenancy ends had been due to elderly tenant deaths or moves to residential care and tenants moving in with their partner or back to their parents. Further analysis of these results were planned in order to understand the drivers for these terminations. It was suggested that the tenants moving back in with parents were struggling to afford to live independently due to the impact of Universal Credit. The Board enquired in the rent increase and rent harmonisation could have had an impact. Mrs Anderson advised that the rent harmonisation had been implemented in order for tenants to have equal and fair rents applied across the Association's stock. Mr P. Hillard advised that 48% of tenants had actually had their rents frozen over a period time until all rents were harmonised over the 5 year period. He commented that this was, however, an exceptional spike in the figures which required immediate attention given that the void relet target had an impact on rent loss.

Mrs Anderson stated that the current voids were broken down to the geographical areas as follows:

- Irvine – 32
- Drongan – 6
- Dumfries – 6

The Board enquired if benchmarking voids performance with other housing associations had provided any further intelligence. Mr Hillard advised that contacts would be made with the Association's counterparts. Mrs Anderson stated that there could be wider issues affecting the number of terminations and Officials would have to monitor this closely. The Board also suggested that Money Advice staff working closely with Job Centre staff had been proven effective.

Mrs Anderson stated that Complaints resolved at Stage 1 was back to 92.6% following all complaints now being closed off at the end of the month, where previously complaints had rolled over. Analysis had been carried out to establish that all due for completion had been carried out.

The Board queried why we had highlighted that the Net Promoter Score had increased over the year when we remained outwith the new target. Mrs Anderson advised that the Net Promoter Score at the end of the financial year was higher than the same point the previous year, so we

had improved over the course of the year and a new higher target was set for the current year as a result.

The Board noted the reports given on the Association's financial and operational performance.

10. **MD Report**

Mr P. Hillard gave his report on 3 key current items of significance to the Association:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Harmonisation of Terms and Conditions

Mr Hillard advised that the harmonisation of terms and conditions of Association staff's with Group's had always been intended and was included within the Constitutional Partnership Agreement. Following the completion of the Target Operating Model implementation, these discussions would be taken forward. This process was currently being mapped out with a target completion date of April 2019.

Mr Hillard highlighted the 3 key area where the Association had more beneficial terms than Group:

- Number of holidays
- Private Health Insurance
- Life Insurance Cover

The Board noted that these discussions would involve negotiations with the union.

Mr Hillard advised that he would have to declare an interest as an Association employee on their terms and condition, therefore, his involvement in this process would be limited. He advised that Group's HR Business Partner, Mrs V. Warner, would take forward this piece of work with the Board Short Life Working Group which would be set up following Board's consideration of the new Governance structure in September.

Tarryholme Development

Mr Hillard confirmed that the contractor was on site and clearance works were currently being carried out. Further articles in relation to potential otters at the site had been carried in the local paper which featured out-of-context comments from the local list MP for the Green Party.

The Board noted Group's marketing team's advice in relation to the release of the Ecological Survey which the contractor had had carried out. They also noted the reasoning behind the Association's decision not to release the report given that it was not the Association's report to share and also the associated risk factors. Mr Hillard undertook to keep the Board updated as matters progressed.



11. Unconfirmed Committee Minutes

The Board noted minutes of the:

- a) Group Neighbourhood Services Committee Meeting – 3 May 2018.
- b) Group Scotland Committee Meeting – 30 May 2018.
- c) Audit & Risk Committee Meeting – 11 June 2018.

12. **Any Other Business**

Annual General Meeting

Mrs D. Boyle advised that in line with the Association’s Rules, a third of the Board were due to stand down at the Annual General Meeting, however, were eligible to stand for re-election should they wish to. Those Board Members identified for standing down were:

- Mr R. Hill
- Mrs J. Murray
- Miss J. Meek
- Mrs F. Garven

Mrs Boyle advised that that those Board Members wishing to be re-elected to the Board would be required to submit the appropriate paperwork to the Association which would be issued to them in due course.

Mr D. McEachran advised the Board that Miss J. Meek had indicated that she would not be standing for re-election to the Board.

13. **Date of Next Meeting**

Annual General Meeting – 5.30 p.m. Wednesday 22 August 2018, The Gales Hotel and Restaurant, Marine Drive, Irvine
Special Board Meeting – 6.30 p.m. Wednesday 22 August 2018, The Gales Hotel and Restaurant, Marine Drive, Irvine.

P. Hillard
Secretary
28 June 2018
PH/db

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This section of text will be subject to redaction prior to the publication of minutes on the website.