

HIGHLIGHTS OF IHA'S BOARD MEETING HELD ON 26 JUNE 2019

HOLMLEA, BARBADOES ROAD, KILMARNOCK: ACQUISITION FROM KEEPMOAT HOMES

The Board approved the purchase of 18 units at Holmlea, Barbadoes Road, Kilmarnock, subject to the receipt of an Offer of Grant from the Scottish Government.

DRAFT FINANCIAL STATEMENTS FOR 2018/19

The Board approved the Financial Statements for Irvine Housing Association and for Thistle Housing Services for the year to March 2019 and the Management Representation Letter. The Board also noted the contents of the Auditors Report to the Audit & Risk Committee.

CAPITAL INVESTMENT PROGRAMME 2019/20

The Board noted Chair's approval of the contract for the supply and installation of LD2 smoke/heat detections systems to the Association's properties in Dumfries to Millar Electrics.

The Board approved the following contracts:

- a) The supply and installation of LD2 smoke/heat detection systems to the Association's properties in Ayrshire to Millar Electrics.
- b) The supply and installation of windows and doors to the Association's properties in Ayrshire to Sidey Solutions.

LOAN PORTFOLIO RETURN

The Board approved the 2019 Loan Portfolio Return to the Scottish Housing Regulator.

FIVE YEAR FINANCIAL PLAN

The Board approved the 2019 Five Year Financial Plan to the Scottish Housing Regulator.

TREASURY MANAGEMENT POLICY

The Board agreed to adopt Group's revised Treasury Management Policy.

SUCCESSION PLANNING

The Board noted the third of the Board who were required to stand down, but would stand for re-election at the AGM and agreed the recruitment priorities for the year.

MEMBERSHIP APPLICATION

The Board approved Mr Donohue's application for membership of the Association.

IRVINE KPIs AND TARGETS 2019/20

The Board approved the KPIs and associated performance targets for 2019/20.

MD's OBJECTIVES

The Board approved the MD's objectives for 2019/20.

EESSE COMPLIANCE

The Board discussed and agreed to consider options in relation to the timescales for achieving EESSE compliance.

SALE OF DRONGAN OFFICE

The Board approved the sale of the Association's office premises at 9 Glencraig Street, Drongan.

THE RIVERSIDE GROUP LIMITED

IRVINE HOUSING ASSOCIATION

Two Hundred and Thirtieth Meeting of the Board held at 5.30p.m. on
Wednesday 26 June 2019 at 44-46 Bank Street, Irvine, Ayrshire

Minutes

Present: Mr D. McEachran (In the Chair), Mr C. Bell, Mrs M. Burgess,
Ms M. Crearie, Mr G. Darroch, Mrs J. Galbraith, Mr R. Hill,
Ms C. McGuinness and Mrs J. Murray.

In attendance were Mrs H. Anderson, Mrs D. Boyle, Mrs M.
Hutchinson and Miss L. Lynch (Items 1-3).

Apologies for Absence

Mr D. Thornton

Declarations of Interests

None.

1. **Minutes of Previous Meeting – 229th Board Meeting held on 29 May 2019**

The minutes of the 229th Board Meeting held on 29 May 2019 were noted and approved.

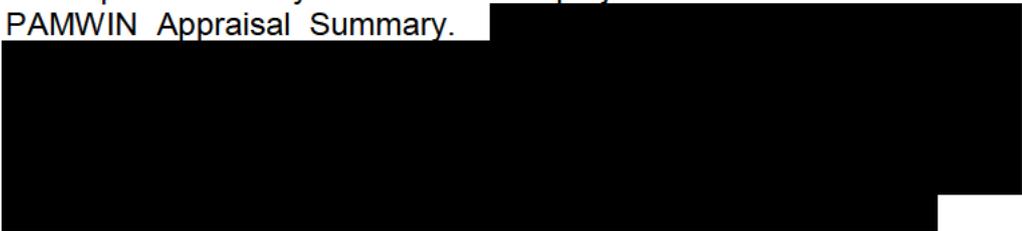
2. **Matters Arising from the Previous Minutes**

a) **Pensions Review (Min. 11)**

Mrs M. Hutchinson advised that a paper to consider this item had been prepared just the day before, however, it was the Chair's preference that Board have sufficient time to consider this matter in detail. It was thereafter discussed that due to this item being time critical, in that if the Board agreed to change DC provider out with Group plans, there was a risk of increased costs to the Association or a reduced consultation period with staff, if a decision on this matter had to wait until the September Board Meeting. The Board thereafter agreed that the paper for consideration would be circulated to them for consideration and they would respond to the Chair on their views within the week. The Chair would then make a decision on this matter under the Chair's Action Procedure taking into consideration the Board's views.

3. **Holmlea, Barbadoes Road, Kilmarnock: Acquisition from Keepmoat Homes**

Miss L. Lynch advised on the details of the house type at the new build development and key financials for the project which were detailed in the PAMWIN Appraisal Summary.



Miss Lynch then highlighted that proposed rents for the properties were in line with the Association's Rent Setting Policy. A service charge would also be chargeable for the maintenance of landscaping and a play area and a further charge to the properties within the courtyard area would be applied to cover the maintenance of the adopted footpaths within this area which the Association would be responsible for. Costs for this maintenance were currently being discussed with the current factor Newton Property Management. The Board enquired if the costs of these service charges would be covered by housing benefit as this could be a significant additional cost to the tenants. Mrs H. Anderson undertook to clarify this matter and report back as appropriate.

Miss Lynch confirmed that all necessary approvals had been received from the Investment Appraisal Committee.

Miss Lynch then highlighted the risks in relation to environmental risk, the timescales, cost, quality and demand and the mitigation actions.

The Board enquired on the risk of future demand, given the size of the property. Mrs Anderson stated that given the location of the site, being close to town centre and local amenities, she did not envisage there being any change to the current healthy demand for these types of properties which currently stood at circa 2000.

The Board enquired on the mitigation action for the environmental risk for the properties. Miss Lynch advised that this risk not be resolved within the Development Agreement, the Association would ensure that this was addressed through a letter of reliance which the Association's lawyers would agree. The Association would also seek appropriate advice in relation to the validation report which would be issued alongside any letter of reliance. It was suggested that either Officials from Compendium or Prospect could provide this advice.

The Board thereafter:

- a) Noted the financial position and NPV per unit for the proposed project.
- b) Approved the purchase of the 18 units at Holmlea, Barbadoes Road, Kilmarnock at £2,371,050 subject to the receipt of an Offer of Grant from the Scottish Government.
- c) subject to the Managing Director and Harper MacLeod, the Association's solicitors, agreeing the final details of the Development Agreement, delegated authority to the Managing Director to enter into the contract with Keepmoat Homes.

Miss Lynch left the Meeting.

4. **Draft Financial Statements for 2018/19**

Mrs M. Hutchinson advised that the Financial Statements presented had already been reviewed in detail by the Audit & Risk Committee at its recent meeting. She advised that once approved, all Financial Statements within Group would be signed on the same day on a date to be advised.

Mrs Hutchinson referred to the report on covenant compliance and stated that the Association was well within target with good headroom. Mrs Hutchinson stated that once finalised, these would be submitted to the Scottish Housing Regulator.

Mrs Hutchinson tabled a replacement page 4 of Irvine's Financial Statements which incorporated some additional text in relation to the financial strength which the Audit & Risk Committee had requested. The Board requested that the words "a total of" were removed from the first sentence on the third from the bottom paragraph on page 4 to read "...during the year spending approximately £2m."

Mrs Hutchinson then referred the Statement of Board Responsibilities in respect of the board's report and financial statements and in respect of internal controls and asked the Board to confirm that they had read and understood this Statement. The Board confirmed it had.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The Board enquired if the Association was able to draw on its reserves in order to expedite the work required for its properties to meet the EESSH Standard. Mrs Hutchinson advised that the Association could use its reserves for its charitable purpose.

Mrs Hutchinson highlighted that on the Statement of Cash Flows, positive cash had allowed the Association to repay loans of £1.7m during the year.

Mrs Hutchinson explained that Note 2 disclosed the high level split between letting and other activities for turnover and operating costs. Notes 3a and 3b provided a further breakdown of income and expenditure for letting and non-letting activities. The Board noted that factoring activities continued to run at a deficit. Mrs Hutchinson confirmed that the deficit for aids and adaptations was the additional spend which the Board had approved in order to carry out all outstanding adaptation works.

Referring to Note 7, Mrs Hutchinson advised that the interest payable had increased due the Association having an RPI based loan which had resulted in an increase of 1.7% on rates from 2018 to 2019.

Mrs Hutchinson stated that the “Under Construction” costs at Note 10a, Tangible Fixed Assets, related to the Tarryholme development. The additions costs at Note 10b related the mini-office refurbishment.

Mrs Hutchinson stated that Note 10c referred to the 10 properties that were re-classified from shared equity to general needs with the costs and grant transferred to housing properties.

Mrs Hutchinson stated that the reduction in arrears at Note 11 had been due to the timing of a HB payment being made. She also commented that the Bad Debt Provision figure had reduced due to the correction of an error in the calculation of bad debt provision from the previous year.

Referring to Note 13, Mrs Hutchinson stated that there had been a reduction in accruals due to more suppliers invoicing the Association by year end.



The Board noted that the Audit & Risk Committee had had a discussion with the external auditors, KPMG, without Officers present and there was nothing to report to Board.

Mrs Hutchinson stated that the outstanding matters in the auditor’s report were being progressed. It was not usual for such matters not to be completed at this stage. They would, however, be completed prior to sign-off of the Financial Statements.

The Board noted that Thistle Housing Services remained a dormant company.

Mrs Hutchinson enquired if the Board were willing to approve the contents of the Management Representation Letter for signing at the appropriate time. The Board confirmed it was.

The Board thereafter:

- a) Approved the Financial Statements for Irvine Housing Association for the year to March 2019.
- b) Approved submission of the covenant position to funders.
- c) Approved the Financial Statements for Thistle Housing Services Ltd for the year to March 2019.
- d) Noted the content of the Auditors Report to Audit Committee
- e) Approved the Management Representation Letter.
- f) Authorised the Head of Finance and Planning to make the required submissions to the Scottish Housing Regulator.

The Board requested that their thanks were passed on to the appropriate staff for the production of the Financial Statements.

5. **Capital Investment Programme 2019/20**

Mrs H. Anderson advised that Board had previously approved expenditure of £2.5m of capital investment works when it approved the budget for the year. This included £1.8m of various works which sought to maintain SHQS compliance and work towards EESSH compliance and also £750k for the installation of LD2 smoke/heat detection systems. The Asset Management Team had since been working with Group Procurement to tender for the proposed contracts.

Mrs Anderson advised that Chair's approval for the installation of LD2 smoke/heat detection systems to the Association's Dumfries properties as a separate contract had been sought in order to avoid any delays in the installation programme for the whole of the Association's properties.

The Board thereafter noted the approval of the Chair under Chair's Action Procedure of the contract for the supply and installation of LD2 smoke/heat detection systems to the Association's properties in Dumfries to the value of £70k plus VAT.

The Board enquired if there would be any employment opportunities available to the Association's tenants as part of the proposed contracts. Mrs Anderson advised that whilst there was an item regarding supporting community benefits, there was nothing specific about employment within the current contracts. She stated that this could be discussed with Group procurement and factored into future procurement exercises. The Board commented that other housing associations in Scotland offered these initiatives. It was noted that these types of initiatives were also dependent on the size of the contracts.

The Board then approved the award of the following contracts:

- a) The supply and installation of LD2 smoke/heat detection systems to approximately 1,700 properties in Ayrshire to the value of £572k including VAT to Millar's Electrics.
- b) The supply and installation of windows and doors to 117 properties in Ayrshire to the value of £618k including VAT to Sidey Solutions.

6. **Loan Portfolio Return**

Mrs M. Hutchinson reported that 2 in year returns had been made since the 2018 Return had been submitted which detailed the movements in relation to the Group's loan facility and Lloyd's loan facility.

Mrs Hutchinson highlighted that in line with advice from the Scottish Housing Regulator, the Association would report on its covenant position as at March 2019, even though this was yet to be reported to the Association's funders. This was due to the Association only reporting annually to its funders.

The Board thereafter approved the 2019 Loan Portfolio Return and authorised the Head of Finance and Planning to submit the Return to the Scottish Housing Regulator.

7. **Five Year Financial Plan**

Mrs M. Hutchinson advised that the return was an extract of the Association's Financial Plan covering the first 5 years. Mrs Hutchinson highlighted that the closing position in year 0 of the return was different from the assumption made when compiling the 30 year financial plan. The opening balances for 2019/20 had been updated accordingly impacting on Statement of Financial Position and Statement of Cashflow. The Board noted that the Statement of Comprehensive Income remained as approved by Board in April 2019.

Mrs Hutchinson also advised of an error which had occurred when uploading the document to the portal for submission which had been subsequently been checked to ensure all data was correct. An paper detailing the amendments which had been made was tabled for information.

The Board approved the 2019 Five Year Financial Plan and authorised the Head of Finance and Planning to submit the return to the Scottish Housing Regulator.

8. **Treasury Management Policy**

Mrs M. Hutchinson advised that the new Policy had been reviewed as advised by Emma Turner at the April 2019 Special Board Meeting and approved by Group Board.

The Board thereafter agreed to adopt Group's Treasury Management Policy.

9. **Succession Planning**

Mrs M. Hutchinson advised that the Association's succession planning processes would be reviewed and developed further over the coming months.

The Board thereafter noted:

- a) the contents of the Board Member Succession Schedule.
- b) the Board Members who were due to stand down at the AGM in August in line with Rule 39(a) and were eligible to stand for re-election / election
- c) the succession priority to recruit tenants on to the Board.

10. **Membership Application**

After consideration, the Board:

- a) Approved Mr Donohue's Membership Application.
- b) Authorised the Managing Director / Secretary to enter his details in the Membership Register and issue him with a copy of the Rules of the Association.
- c) Agreed to invite Mr Donohue to stand for election at the Association's Annual General Meeting in August 2019 in line with the Association's Rules.

11. **Financial Performance Report**

Mrs M. Hutchinson highlighted that the favourable variances reported were likely down to timing due to it being early in the financial year.



The Board thereafter noted the content of the Financial Performance Report.

12. **Irvine KPIs and Targets 2019-2020**

Mrs H. Anderson advised that the proposed KPIs and targets had been developed following on from discussions at the March 2019 Board Meeting. The KPIs presented had more of a focus on customer service given that it was a key priority to improve customer satisfaction during the year.

Mrs Anderson advised that the data systems were currently being amended which had meant that she had been unable to report performance in the new format for the Meeting. She expected to be able to report in the new format from early August and this would be uploaded

to REX. In the meantime, she had, however, collated some stats using manual processes, based on the previous year's KPIs in order to give the Board some performance information to allow effective monitoring, which was tabled for information and would also be added to the REX.

The Board requested that customers were asked if they considered if their rents provided value for money as part of the STAR survey. The Board also enquired if the void loss target was challenging enough and suggested lowering the target to the Association's current levels so that it sought to maintain this figure. This was agreed.

The Board thereafter approved the proposed KPIs and associated performance targets for 2019/20.

13. **MD's Objectives 2019/20**

Mrs H. Anderson, Mrs D. Boyle and Mrs M. Hutchinson left the meeting. The Board discussed and approved the Managing Director's objectives for 2019/20. The Board noted that the outturn would be reported at a future date in approximately 12 months.

14. **Rule 67 Statement by the Secretary**

Mrs H. Anderson, Mrs D. Boyle and Mrs M. Hutchinson returned to the meeting.

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

15. **Minutes Updates**

The Board noted the contents of:

- The Unconfirmed Minutes of the Audit & Risk Committee held on 12 June 2019.
- The Core Brief for Group's Board Meeting held on 9 May 2019.

The Board also noted that the Audit & Risk Committee had discussed increasing the risk score for the political risk given the current uncertainty regarding land reform, the tory leadership and the EU elections. The Committee had, however, decided to keep the score as was, but keep this risk under close review for the time being.

16. **Any Other Business**

a) **EESSH Compliance**

Mrs H. Anderson advised that further to recent discussions in relation to the Association's compliance with the EESSH Standard, as things stood, the Association's properties would be EESSH compliant by 2024. The current deadline for meeting EESSH was 2020. Mrs Anderson advised that the Association could deliver EESSH compliance earlier, however, this would involve pulling forward costs from the financial plan in order to accelerate works earlier than in the current plan. Mrs Anderson then advised on the additional costs associated with EESSH compliance in year 2021, 2022 and 2023. After full discussion, the Board advised of its preference for the Association's properties to meet the EESSH Standard by 2021, subject to the Association being adequately resourced in order to manage these additional works contracts effectively. Mrs Anderson undertook to work up more detailed proposals and bring them back to Board for consideration in due course.

b) **Sale of Drongan Office**

The Board approved the sale of the Association's office premises at 9 GlenCraig Street, Drongan.

c)

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17. **Date of Next Meeting**

AGM – 5.30 p.m. Wednesday 21 August 2019 at the Gailles Hotel, Irvine
Special Board Meeting – immediately after the AGM, Gailles Hotel, Irvine

P. Hillard
Secretary
27 June 2019
PH/db

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