

Minutes of the Board Meeting held on **TUESDAY 19TH JUNE 2019** at **6.00PM** at **Larkfield, 14 Lothian Road, Greenock, PA16 0PG**

Present: Danny McMillan
David Wilson
Suzanne Harris
Aileen Hunter
Denis Flannery

In attendance: Lynne Griffin
Tom Mallatratt
Elliot Smart (KPMG)

Stephanie McEwan (minutes)

BUSINESS

1. DECLARATIONS OF INTEREST

None.

2. APOLOGIES

Apologies were received from Adam Thompson, Allison Akhtar and Suzanne Gallagher.

3. APPROVAL OF THE MINUTES OF THE MEETING HELD ON 15TH MAY 2019

The Minutes of the meeting held on TUESDAY 15TH MAY 2019 were approved with no amendments:

Moved: D McMillan
Seconded: D Wilson

4. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON 15TH MAY 2019

4.1 LINK GROUP SERVICES REVIEW

LG advised that the Link Services Review tender was due to be issued for a consultant be appointed to carry out the review during July and August. L Griffin advised that she and S Miller would be asked to speak to the consultant and a questionnaire would be issued to all members for completion.

4.2 ACTION REGISTER

L Griffin advised that the Committee members appraisal training had now taken place with Stuart Eglington and dates would now be agreed for one to one member appraisals with the Chair.

L Griffin also advised that we were awaiting timescales for progression with the replacement Board Extranet site.

5. SHAPS UPDATE ON 2018 VALUATION

T Mallatratt advised that we were still awaiting more details with regards to the 2018 Valuation results and information from SHAPS would be released in the coming months.

6. KPMG FINAL AUDIT REPORT, END OF YEAR FINANCIAL STATEMENTS AND LETTER OF REPRESENTATION 2018/19

Elliot Smart from KPMG joined the meeting at this item. He advised the Committee that no significant accounting or auditing issues had arisen during the audit and the Association showed a healthy financial position for the year end. The audit was substantially completed subject to the KPMG requesting a letter of representation from Link in relation to the re-financing position. The Committee subsequently approved the draft audit report, end of year financial statements and letter of representation.

Members agreed for the signing of the final, End of Year Statements to be carried out in July. Three members including the Secretary would be required for signing. Danny McMillan, Suzanne Harris, Denis Flannery and David Wilson indicated that they may be available for signing.

Post Meeting Note: The final accounts were signed by Sheralee Miler, Suzanne Harris & Aileen Hunter as at 23rd July 2019.

Elliott Smart left the meeting on the conclusion of this agenda item.

7. FINAL MANAGEMENT ACCOUNTS TO 31ST MARCH 2019

The overall surplus for the period to 31st March 2019 was £162,732 compared to the budgeted figure of £429,089, in the period.

Overall, income was £1,763,616 and this was £155,068 lower than the budget figure of £1,878,684, as at 31st March 2019. This was primarily driven by the remeasurement of the pension liability provided for in the balance sheet.

The rental income (£1,832,870) was in line with budget and void loss (£20,766) was £13,435 higher than budget. The difference between the budgeted void loss and the actual void loss incurred is driven by a higher than average number of voids and the re location of tenants to Juno Terrance at the beginning of the year. This led to a high volume of properties remaining vacant for a longer period.

External Funding of £69,862 was received from various sources. The Scottish Government funded £20,000 for Stage Three adaptations. The Big Lottery funded £9,740 and Suez Communities Fund, £18,021 for community garden improvements. All income received in the 2018/19 financial period has associated expenditure.

The annual income received from Link Housing for the management of their Inverclyde stock was £52,665.

The total expenditure was £1,600,885 and this was £151,288 overspent compared to the budgeted expenditure of £1,449,596. This was primarily driven by £109,786 of planned maintenance works which were not treated as capital expenditure. Capital expenditure being major repairs which add value to the property. The depreciation expense also increased by £54,836, of which £49,360 were disposed assets. This was a non-cash item and therefore had no effect on the cashflow.

The staffing costs showed an underspend of £34,869. This was primarily driven by transferring budgeted pension costs out of the income and expenditure account to offset against the provision for the pension deficit in the balance sheet. The Pension deficit was where Larkfield had a considerable pension liability and there was no guarantee that the annual contributions made by the employer and employee would fund the corresponding commitment to the pension payment.

The reactive maintenance showed an overspend of £16,293, driven by voids which had an overspend of £28,271. This was partially offset by tenanted repair expenditure which was £12,576 underspent. The void repairs had increased as a result of a higher volume of void properties reported for the year.

The major repair programme had completed £487,069 of work as at 31st March 2019, of which £377,283 would be capitalised. These works had all been transferred to the balance sheet and treated as a capital expenditure as these repairs add value to the property.

The major repair works being capitalised include central heating system replacements, bathroom replacements, kitchen replacements, door replacements and upgrading detectors.

Bad debt of £5,170 had been expensed at the end of the period. There has also been a £23,715 increase in the bad debt provision calculated at the end of the year. This was uncharacteristically high driven by the former tenant recharges for void properties.

Loan interest is in line with budget, as at the end of the period.

8. DRAFT MANAGEMENT ACCOUNTS TO 31ST MAY 2019

The overall surplus for the period to 31st May 2019 was £66,807 compared to the budgeted surplus figure of £8,501, in the period.

Overall, income was £321,571, in line with the budget of £321,718 as at the end of 31st May 2019.

The rental income (£311,598) was in line with budget and void loss (£2,169) was £611 higher than budget. The difference between the budgeted void loss and the actual void loss incurred was driven by a high volume of properties becoming void during the first quarter of the financial year.

The income received from the annual owner's factoring fee was in line with budget.

The total expenditure is £254,764 this is £58,453 underspent compared to the budgeted expenditure of £313,217. This was due to an underspend of planned maintenance works. This was a timing issue as work will be completed during the year.

The staffing costs had an overspend of £3,258 and was driven by recruitments costs for a temporary Maintenance Officer covering for sickness.

The Major repair programme has completed £12,836 of work as at 31st May 2019, of which £10,356 would be capitalised. These works will all been transferred to the balance sheet and treated as a capital expenditure as these repairs add value to the property.

Property and Other Insurances were in line with budget. No bad debt had been expensed at the end of the period.

Management and office costs showed an underspend of £4,957 and Loan Interest costs in line with budget, as at the end of the period.

9. LOAN RE-FINANCING AGREEMENT

T Mallatratt advised that Larkfield currently had a £4.5million loan with the Royal Bank of Scotland. The Facility was based on a five-year fixed rate, interest only loan and therefore no capital repayments were required at all during the loan term. At the end of this five-year period, in December 2019, full repayment of the loan was required. This type of loan was referred to as a bullet repayment.

It was proposed to refinance with a £2.5million loan over an 18-month period and therefore it was proposed that Larkfield would repay £2million as part of this process from its cash reserves. A fixed interest rate of 3.75% was assumed for a period of 18 months. This would require full repayment in June 2021, after which it was also proposed that a 3-year capital and loan interest facility would be sought at an interest rate of 3.75%. This means that the Association's loan would be fully repaid by June 2024.

The initial budget provided to the Committee in March had proposed refinancing with a new £4.5million loan facility over a 5-year period at an interest rate of 4% with a 5-year capital and loan interest facility thereafter also at a rate of 4%.

However, it was felt that by borrowing a lower capital amount, for a shorter period, would allow the Association to take advantage of the flexibility this provides and includes a more favourable interest rate and a shorter period that Larkfield is subject to lender constraints.

The business plan forecasts showed a strong cash position and all loan covenants would be met for the duration of the plan.

The Committee unanimously agreed to approve the proposal for the refinancing of the existing £4.5million loan facility with borrowing on the basis of a new £2.5million loan facility over an 18-month period.

10. SCOTTISH HOUSING REGULATOR – LOAN PORTFOLIO ANNUAL RETURN 2018/19

The return highlighted the Association's existing loan with the Royal Bank of Scotland. This was a fixed rate loan, with a bullet repayment due in 2019. It had now been agreed by the Committee that the £4.5million loan facility would be replaced with borrowing on the basis of a new £2.5million loan facility, from December 2019. The Committee unanimously approved the draft return for the submission to the Scottish Housing Regulator. The Area Manager would now approve the return online to the SHR by the submission due date, on behalf of the Committee.

11. SCOTTISH HOUSING REGULATOR – FIVE YEAR FINANCIAL PROJECTIONS 2018/19

The Committee unanimously approved the draft return for submission to the Scottish Housing Regulator. The Area Manager would now approve the return online to the SHR by the submission due date, on behalf of the Committee.

12. STAGE 3 FUNDING ALLOCATION FOR 2019/20

L Griffin advised members that Larkfield has been awarded £20,000 from the Scottish Government's Stage 3 Adaptations funding allocation for 2019/20.

13. TENANT PARTICIPATION STRATEGY DESK-TOP REVIEW

L Griffin advised that in 2018, the Association had appointed the Tenant Participation Advisory Service (TPAS) to carry out a review of its existing Tenant Participation Strategy and Action Plan. The Strategy was last updated in June 2018 and is normally reviewed annually.

The Report had highlighted that currently our strategy is written up as a Policy/legal compliance document and recommends that a standalone, tenant friendly publication would be more attractive to tenants with graphics and pictures etc. The report also suggested that a summary of "ways to get involved" could also be developed and is more likely to be read.

The report also highlighted that participation strategies are more normally reviewed every 3 years with the action plan updated annually.

The Committee unanimously approve the recommendations contained in the report, and the costs associated with the publication of a stand-alone tenant publication and summary of "how to get involved" leaflet would be met through the current Tenant Participation budget for 2019/20.

14. LARKFIELD – INVESTING IN COMMUNITIES FUND

Lynne advised that following the sub-group meeting that A Akhtar, S Harris & A Hunter had attended it had been clarified that a joint community bid “Food for Thought” was being developed with Youth Connections being the lead applicant name. The Fund is designed to empower communities, enabling them to tackle poverty, inequality and disadvantage.

The Larkfield project would involve local primary schools, nurseries, volunteering opportunities, cooking workshops and develop a community growing space within Larkfield. It was noted that Larkfield housing was now a named partner in the bid and the bid highlights that from our recent engagement work undertaken for the community garden tenants and residents have highlighted that they would like to be involved in community growing projects and that we own a number of areas of land, that could be utilised and developed through this project and we can engage with a wide section of the community and support the project through publicity, promotion and onward referrals.

15. POLICY REVIEWS

15.1 FINANCIAL REGULATIONS

The Committee agreed for this item to be carried forward to the next meeting.

15.2 DOMESTIC ABUSE POLICY

Lynne advised that housing staff would all attend training to support the new policy and procedures.

The Committee unanimously approved the implementation of the Domestic Abuse Policy for staff and customers.

16. ASSURANCE STATEMENT & SELF- ASSESSMENT OF FINANCIAL & GOVERNANCE STANDARDS

L Griffin advised members that the purpose of the report and self -assessment report was to assist Committee members to determine, whether Larkfield complies with the Regulatory Financial & Governance Standards. Whilst the standards had been in place for over six years it was noted that there were now seven standards and the initial self-assessment had only covered the first six standards.

The new standard was designed to ensure that an RSL exercises proper control and its actions will no prejudice tenants’ interests. The standard states that

“The RSL ensures that any organisational changes or disposals it makes safeguard the interests of, and benefit, current and future tenants”.

The Committee reviewed the attached self-assessment paper and actions points and whilst highlighting areas for improvement the Committee confirmed that they did not require any further evidence to enable them to confirm whether Larkfield complied with the first six Regulatory standards.

L Griffin advised that a detailed Action plan would be produced and issued to the Committee for consideration at the next meeting.

17. REVIEW OF APPROVED SUPPLIERS LIST 2019/20

The Committee unanimously approved the updated Suppliers List for 2019/20.

18. HEALTH & SAFETY SUB COMMITTEE MINUTE

L Griffin advised the Committee that we would continue to carry out random fire checks/drills within the office and it was noted that S Harris had requested confirmation that staff were regularly reminded of the correct procedures and to use the Crystal Ball system on the office mobile phones correctly.

19. WIDER ACTION UPDATE

The Committee noted the end of year progress report which had been previously circulated.

20. ANY OTHER COMPETENT BUSINESS

The Committee unanimously agreed to make a financial donation of £100 to the LB&B Community Council for their Summer Gala day, on the assumption that they were successful with this year's funding application for the event.

Employment Matter - closed and confidential item of business.

This was tabled as a closed item of business and a separate minute of this item has been written up.

21. DATE OF NEXT MEETING:

WEDNESDAY 21ST AUGUST 2019 at 6.00PM in the BOARD ROOM.

The meeting closed at 8.20pm