

MINUTES OF A MEETING OF THE BOARD OF MANAGEMENT OF CAIRN HOUSING ASSOCIATION LIMITED HELD VIA TEAMS ON THURSDAY, 24 MARCH 2022 AT 1:00PM

Present: Don Jamieson (Chair)
 Angus Lamont (Vice-Chair)
 Neil Wood
 Laurence Casserly
 Bill Gillespie
 Lizzie Crawford
 Helen Barton
 Emma Peveril
 Douglas Reid
 Nigel Chapman

In Attendance: Jason MacGilp, Group CEO and Company Secretary
 Derek Adam, Director of Finance and People Services DFPS
 Meg Deasley, Director of Property Services DPS
 Sean Connor, Director of Customer Services DCS
 Carolyn Owens, Governance Services Manager GSM (*Minute*)
 Catherine Bradley, Governance Admin Assistant
 Kenny Green, Observer, (*Item 1 only*)

	Item	Decision / Action
1.	<p>Board Members only session</p> <p>The Chair welcomed Kenny Green as an observer and introduced him to members. Members discussed the day's agenda and the issues that should be given prominence in order to manage the meeting well and get best value from the time.</p> <p><i>Kenny Green left the meeting.</i></p>	
2.	<p>Apologies</p> <p>Apologies were received from Steven Travers.</p>	Noted
3.	<p>Declarations Of Interest</p> <p>All staff declared an interest in item 7.4.</p>	Noted
4.	<p>Minutes Of Previous Meetings For Approval Or Noting</p>	
4.1	<p>CHA Board Meeting – 27 January 2022</p> <p>Minutes of the CHA Board Meeting held on 27 January 2022 were proposed by Bill Gillespie, seconded by Angus Lamont and approved.</p>	Approved

4.2	<p>Ancho Board Meeting – 20 January 2022</p> <p>Minutes of the Ancho Board Meeting held on 20 January 2022 were noted. Members were advised that the Minute of the Ancho Board meeting held on 17 March 2022 were also available in the CHA Teams channel for information.</p>	Noted
4.3	<p>Remuneration Committee – 27 January 2022 (Confidential)</p> <p>Members were advised that the Remuneration Committee Minute would be circulated for information and noting after the meeting.</p>	Action GSM
4.4	<p>AMDC – 17 February 2022</p> <p>Minutes of the Asset Management and Development Committee meeting held on 17 February 2022 were noted.</p>	Noted
4.5	<p>Audit & Performance Committee – 22 February 2022</p> <p>Minutes of the Audit & Performance Committee meeting held on 22 February 2022 were noted. The Chair of the Committee highlighted the internal audit report on the group’s response to the Covid pandemic which was a clean audit with several areas of good practice highlighted. The KPI targets for 2022-23 were approved albeit being a difficult time to set targets given the cost of living and energy cost pressures that tenants were facing. The 2022-23 internal audit plan had been approved focussing on HR, estate management, tenant involvement, project management and follow-up on cyberfraud. In response to a member’s query on Item 6.4, the DBS would follow up with RSM to provide the additional information requested at the Audit & Performance Committee meeting.</p>	Noted Action DBS
5.	<p>Matters arising</p> <p>None.</p>	
5.1	<p>Action Tracker</p> <p>Item 5 requires a revised date. Noted.</p>	Noted
6.	<p>ITEMS FOR DECISION/APPROVAL</p>	
6.1	<p>Budget 2022-2023 including Ancho and draft PCE Budget</p> <p>The DFPS presented the proposed 2022/23 budgets and 30 year financial projections, which are submitted to the lenders and form the basis of the 5 year financial projections submitted to the Scottish Housing Regulator.</p> <p>The DFPS provided an overview of the report which included narrative on each area of the budget, a layout showing Cairn and Pentland’s current outturns and combined projections going forward, and a consolidated budget for Cairn, Ancho and PCE rolling forward for the 30 years. He advised there were variations within the budget model and highlighted the challenges in making assumptions over the next 5-20 year period, explaining that a</p>	

quarterly report forecast would be presented to the Board. The key driver was covenant compliance related to EBITDA, planned maintenance spend and debt to capital ratios. The budget presented was the best estimate for the forthcoming year, including inflationary increases in costs, the agreed rent increase and debt interest costs, however as the economy moves further decisions related to 5-20 years would be required.

In response to members' questions the DFPS advised that:-

- Budget projections for the 5 and 30 years were required by SHR and lenders respectively, there were no alternatives to forecasting on these periods. The SHR would be content with the budget as presented and lenders would focus on long term financial viability.
- Any changes on using CPI would have a bigger impact in 5-10 years' time than over the next 2-3 years due to the compound impact on the 30 year model.
- The CEO advised the SHR acknowledged that anything forecast past 5/6 years was estimated but was required from a regulatory medium term viability perspective, and that the Board should consider if they are content with the proposed budget and if the best estimate of assumptions was acceptable to them, with the obvious volatility in the economy and global situation, and the need to monitor quarterly, especially in the second half of the 2022/23 financial year.
- In relation to the combined Pentland and Cairn budgets and increases in salaries above the £6.375m previously approved with an addition of £600,000 for new posts, and in the absence of any phase 2 of the restructure, it was explained that the staffing complement from the last budget had been rolled forward and any additional employees and Pentland employees were over and above that figure. The Group CEO advised that the IWG had been kept updated on any management changes, there would not be a phase 2 restructure proposal as any other changes would be organic dependent on any reviews on delivering services. He provided an update on recent changes and offered to provide a briefing note.
- The DFBS confirmed staffing costs for Ancho were partly via the intercompany recharge of £501k including elements of services, such as IT, provided by CHA, 34% of Ancho revenue was taken up by staff costs.
- Given the volatility over the near term, how much stress testing on key variables, eg CPI+ 1 on rent assumptions, voids, arrears and sensitivity matrix to see different outputs; the DFPS ran four scenarios and stress testing to look at impacts on cash, the biggest impact was on rental income so if CPI+ rent increases were not implemented it would have a major impact. Voids and arrears have lesser impacts, inflation and variable bank rates are the biggest variables, He explained impacts of lower than inflation rent increases and higher inflationary costs on repairs materials over the long term, that the budget had been reviewed by both lenders and S&P and it works and presented a good financial position, and risks needed to be contained to ensure decisions taken now do not incur risks further down the line. Disposable income of tenants as a risk factor and borrowing to develop after year 4 and making those decisions early were discussed.

Action CEO

	<ul style="list-style-type: none"> - The Group CEO suggested that stress testing and options could be discussed further with a new “Risk & Resilience working group. No decision on this at this stage. - The main inflationary impacts have been budgeted for with an increase in planned maintenance of 12.5% and 20% on responsive repairs, overheads and arrears would be the main elements affected by inflation but these impacts would be worked into modelling quarterly, as well as impacts in years 2-5 and longer-term. - The DPS advised that materials increases had been set at 5% with the main supplier in the North and inflationary assumptions were being monitored closely. - To counteract rising inflation the Bank of England increases interest rates, the majority of current borrowing was on fixed rates, and only £10m was on a variable rate. The shelf-facility with MetLife was available if needed, at interest rates to be agreed, which was another variable within the model. - Scenario planning for changes due to the war in Ukraine, Brexit and the pandemic would be ongoing. The key to resilience within the model was cash and sufficient headroom within the covenants to deal with unknowns, and there were options to halt larger cash expenditures if needed. - Inflation analysts estimates are from Bank of England - The shelf facility with MetLife provided access to agreed debt, but other lenders could be approached if terms were not favourable. - Scottish government grant levels and adjustments for new build projects may impact on future development, and as the return above the cost of borrowing and the benchmark cost for the developer had increased each development would be analysed on its viability. The DPS highlighted costs at the Rosemarkie site and awareness by Scottish Government and SHR of the pressures across the sector. - The Group CEO advised SFHA and the Scottish Government were aware of challenges in meeting housing targets whilst keeping rents affordable, and energy efficiency would also feed into discussions later in the year. - There was a rent review on the Edinburgh office due in 2024, based on existing rent with an open market element. Also on the Bellshill office. The drive towards energy efficiency and sustainability may affect the reviews. - The Exec Team had considered the Gazprom contract, an early redemption penalty would be approximately £250k, and a new supplier would need to be sourced, this presented both a cost and moral dilemma in view of international situation. The situation in relation to the UK Government suspending the contracts will be monitored. No further action at this stage. <p>At the proposal by Don Jamieson, seconded by Angus Lamont, the Board reviewed and approved the proposed 2022/23 budget and 30 year financial forecast for Cairn Housing Association and approved the proposed budget and 30 year financial forecast for Ancho and PCE/Cairn Homes and Services Ltd.</p> <p>The Chair thanked the DFPS and staff members for their work on the budget.</p>	<p>Approved Approved</p>
<p>6.2</p>	<p>Meetings, Agendas and Planning</p>	

	<p>The Group CEO presented the report, advising that it had previously been agreed by the Ancho Board at their meeting on 10 March 2022, and provided a verbal overview of the report for improvement to the preparation and management of Board meetings and agendas, including moving to joint Board meetings as a default.</p> <p>At the proposal by Don Jamieson, seconded by Lizzie Crawford, the Board approved the recommendations, as set out in the report.</p>	Approved
6.3	<p>PHA Nominee to CHA Board</p> <p>The Group CEO gave a verbal report on the previous agreement with Pentland HA that one of their Board members, now confirmed as Kenny Green, be nominated to the Cairn HA Board at the point of Transfer of Engagements. The co-option of Kenny Green to the CHA Board was proposed by Don Jamieson, seconded by Emma Peveril, and approved.</p>	Approved
6.4	<p>Growth & Partnerships Working Group ToR</p> <p>The Governance Services Manager presented the revised Terms of Reference for the Growth & Partnerships Working Group.</p> <p>Subject to an agreed amendment, that the CHA Chair would be appointed as the Chair of the G&P WG, and in the Chair's absence the CHA Vice-Chair, the Terms of Reference were proposed by Angus Lamont, seconded by Laurence Casserly and approved.</p>	Agreed Approved
7.	GROUP UPDATES	
7.1	<p>Ancho Partnership Investment Delivery update</p> <p>The DPS presented the report, which had been presented to and discussed at the Ancho Board meeting on 10 March 2022.</p> <p>It was highlighted that the kitchen contracts had been intermittently impacted by supply chain issues and was being monitored closely.</p> <p>The Chair suggested that the report would benefit from an Executive Summary, the DPS would include this for the next report.</p> <p>The report was noted.</p>	Action DPS Noted
7.2	<p>ICT Infrastructure Project – Update</p> <p>The Group CEO gave an overview of the DBS's report advising that savings and efficiencies would be captured and reported back to the Board. Lizzie Crawford, Board sponsor for the project, highlighted the recent appointment of the Project Manager. The Group CEO also highlighted the recent resignation of an IT officer and recruitment issues in attracting and retaining quality candidates to fill the role, which had been re-advertised.</p> <p>In response to members' queries the Group CEO advised:-</p>	

	<ul style="list-style-type: none"> - on the budget confirmation for the project, the previously estimated £500,000 had been for the capital project and the operational budget would be in addition to that. Final figures are as set out in the report. However, the aim is to modernise the support for customer service and rationalise licensed systems. Efficiencies and tangible savings will be sought but cannot be guaranteed but at this stage the operating costs were anticipated with the new system subject to market conditions and procurement outcomes. - on recruiting for the fixed term position, there was more movement of IT staff between organisations and there would be a continual risk with that, but the 2 year term was not unusual for delivering a project in the IT sector. - on setting an overall expenditure cap, the cap was the budget, there was an expected capital budget and the operating costs would flow from that. Regular reports would be presented to the project group sponsors and to the Board. <p>The DPS highlighted this was a joint project which was expected to impact service delivery across the organisation and create efficiencies. Lizzie Crawford highlighted the upskilling opportunities related to the project.</p> <p>It was agreed to bring an update on the IT Project budget to Audit & Performance meeting on 17 May 2022.</p> <p>It was agreed that any significant increases in anticipated costs would be reported to the Board by the Project Group.</p> <p>The report was noted.</p>	<p>Agreed Action DBS</p> <p>Agreed</p> <p>Noted</p>
7.3	<p>Pentland Transfer – Update</p> <p>The Group CEO provided a verbal update on progress of the transfer, the details of which was available on the Teams channel. He highlighted that the transfer was on track, current work was training Pentland staff, systems architecture and data transfer, all legals were all in place or imminent, the office had been painted with Cairn branding and the cultural integration was a work in progress. The Group CEO commended the team and thanked Morag, Siobhan and Louise for their work on managing this key change project.</p> <p>The report was noted.</p>	<p>Noted</p>
7.4	<p>Pay & Reward Policy – GMB negotiation/staff briefing update (Confidential)</p> <p>The DFPS provided an update on the current position.</p> <p>The report was noted.</p>	<p>Noted</p>
8.	<p>ITEMS FOR DISCUSSION/EARLY VIEWS</p>	
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9.	<p>ITEMS FOR NOTING/PROGRESS MONITORING</p>	

<p>9.1</p> <p>9.2</p> <p>9.3</p> <p>9.4</p>	<p>Development Programme / AMDC Update</p> <p>The DPS presented the report, highlighting the Rosemarkie site, the position with the new revised SG grant levels and Highland Council and Moray Council's approach to benchmark costs. The final units at Etna Road, Falkirk would be delivered in early April (due to materials and labour issues). In response to feedback at the last AMDC meeting the Sites & Numbers report had been updated to show the title of the projects, delivery ie; section 75 or design built and developer. The sale boards were up on Inverleith Row and the marketing materials link would be uploaded to the Teams folder.</p> <p>The report was noted the report and anticipated development project approval requests.</p> <p>Strategic Risk Register incl Tolerances Report and new risks</p> <p>The Group CEO presented the report, advising that the updated risk register had been presented to the Audit & Performance Committee before the Russian invasion of Ukraine and related economic impact. The Exec Team would give more detailed consideration to the risks and present an updated risk register to the A&P Committee in May 2022 then to the CHA/Ancho Joint Board meeting in May 2022. Risk 2 would be updated to a 10 on the register.</p> <p>Board noted the report and the next steps to the Strategic Risk Register</p> <p>S&P Rating Report</p> <p>The DFPS presented the report, highlighting the requirement for the work to be undertaken by lenders, and the BBB+ rating (with negative outlook).</p> <p>In response to a members' questions the DFPS confirmed:-</p> <ul style="list-style-type: none"> - he was content with the observations made in the overview and with S&P's understanding of Scottish Government grant. He advised that S&P also complete ratings for other Scottish HA's and the rating is slightly higher based on SHR's strong governance. - a reduction in the rating would influence the interest rate on the MetLife shelf facility, the DFPS advised he had a meeting with MetLife in early April at which time he would discuss this. - the rating was for a combined Pentland, Cairn and Ancho, increasing spend on capital maintenance was available, the outlook had changed due to the spending on investment and over 5 years which was riskier, a higher EBITDA would reduce the rating but that would mean spending less money on stock investment. <p>Board noted the 2022 Final Ratings Report from S&P Global Ratings</p> <p>CHA KPI's</p> <p>The February KPI's were also now available in the Teams channel. A member highlighted the average arrears narrative in the Ancho KPI's and requested the same detail be included in the CHA KPI's for comparison and to ascertain</p>	<p>Action DPS</p> <p>Noted</p> <p>Action DBS</p> <p>Noted</p> <p>Noted</p> <p>Action DCS</p>
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	<p>the number of weeks of rent arrears. It was confirmed that the 136% related to the double payment on the housing element of UC due to the 4 weekly payment period. The DCS advised that £2,000 rent arrears would be c.5 to 6 weeks rent, he explained the RentSense algorithms which produce weekly reports to predict potential arrears and highlight where tenants' payment methods have changed, as well as current arrears, and the income teams then contact tenants to manage that. The figure that triggers contact would be reduced to approx. £1,000 from April 2022. The DCS confirmed the 15 complaints was higher than the usual 6-7 per month, this was related to a build up over the Christmas period and a repair on hold. The Chair acknowledged the performance improvement in calls answered. The DCS advised of an annual 39,000 calls across CHA and Ancho, 4,500 emails and 1200 chats, to date.</p> <p>In response to a member's query on how to manage year on year comparisons once Pentland are integrated, rent loss due to voids of £250k to date, £400k from year end, and an update on HomeWorks, the DPS provided an update on the changes to HomeWorks implemented over the year to speed up the voids process. This included void specification running clearly and itemised in a consistent way using scheduled rates, a team restructure and new painter, and collaboration with Pentland colleagues to address issues in the Caithness area, support inspections on site and work with their suppliers. Supply issues and heat pumps continue to be an issue but overall it was progressing well and further improvements were anticipated.</p> <p>The report was noted.</p>	
9.5	<p>Ancho KPI's</p> <p>The report was noted.</p>	Noted
9.6	<p>Equalities Update</p> <p>The Group CEO presented the report, highlighting it was early days in the Strategy and which detailed improvements over the past six months. The report was noted.</p>	Noted
10.	GOVERNANCE, REGULATION & CORPORATE	
10.1	<p>Chairperson's Update Report</p> <p>The Chair provided a verbal update on his activities since the last meeting which included weekly meetings with the Group CEO, task group on Meetings, Agendas and Planning, meetings with office bearers and Executive, budget discussion and meetings on several projects.</p> <p>The report was noted.</p>	Noted
10.2	<p>Governance Update</p> <p>The GSM presented the report highlighting that 101 Pentland Shareholders would transfer across to Cairn on 1 April 2022, therefore in addition to the</p>	

	<p>current 85 members, the total shareholding members would be 186. A decision on the best location to hold the 2022 CHA AGM would follow.</p> <p>The report was noted.</p>	Noted
10.3	<p>Proposed Group Meetings Schedule/Forward Planner</p> <p>The GSM highlighted the updated Meetings Schedule from May 2022, following the move to joint meetings, which was available on Teams. All meetings would be held via Teams with the exception of two in-person meetings annually, which would be held on conjunction with the Development and Strategy Days usually in May and October respectively.</p> <p>The next meeting would take place on Thursday 26 May and the Development Day on Friday 27 May, in person in Irvine, members were requested to confirm their attendance.</p>	
10.4	<p>Recent SHR publications/guidance for information</p> <p>The GSM gave an overview of information available on SHR's website including a recent speech by Helen Shaw, new Director of Regulation, to SHARE's annual conference, a factsheet and information on whistleblowing and the Covid impacts and quarterly dashboard reports. Members were encouraged to visit the website.</p>	
10.5	<p>SHR Communications</p> <p>The Group CEO gave an overview of recent SHR communications including new Guidance on the Deregistration process which relates to the deregistering of Pentland, an update on the Fire Risk Assessments had been provided to SHR, and the final Cairn Engagement Plan 2022/23 was expected and would be circulated when received.</p>	Action CEO
11.	<p>Decisions taken by Exec team under delegated authority (Policies available on request)</p>	
11.1	<p>Hybrid Working Policy</p> <p>The Policy had been approved under delegated authority and was available on the Teams channel.</p>	
12.	<p>Any other competent business</p> <p>None.</p>	
13.	<p>Date of next meeting</p>	
13.1	<p>Board meeting on Thursday 26 May 2022 followed by the Development Day on Friday 27 May 2022 – both in person in Irvine.</p>	