



Board Meeting – 30 May 2018

Agenda Item: 3

Subject: Board Meeting 25 April 2018

Prepared by: Alan Park

Minute of the Board meeting held on Wednesday 25 April 2018 at 5.30pm in Main Street, Ayr

Present:

Tenant Members

Suzi Williamson
Kenny George
Frances Maguire

South Ayrshire Council

Ian Cavana

Community Members

Rhonda Leith (Chairperson)
Mike Tomlinson (until part way through item 9 (b))
Simon Leslie
Gemma Collins

1. Apologies

Apologies were received from Pauline Elliot, Bobby Pyper and Georgina Dawson.

2. Declarations of Interest

Rhonda asked that any member with an interest in any agenda item declares that fact at the appropriate time during the meeting.

3. Minute of the Board meeting held on 28 March 2018

The Minutes of the meeting held on 28 March 2018 were accepted as a true record and were proposed by Frances Maguire and seconded by Suzi Williamson.

4. Matters arising

Jim referred to the planned strategy day with Ian McKenzie (facilitator) scheduled for 24 May and explained that only 5 Board members would be available. He suggested that we could go ahead on the basis that there would likely be another meeting held in Autumn. Rhonda asked if Ian McKenzie could come to a Board meeting. Jim agreed that we could perhaps invite him to the June meeting. Jim

proposed a stock tour for some time in June and agreed that Kirsty would circulate potential dates.

Jim confirmed that the letter to Maybole tenants had been sent in relation to the installation of gas heating systems.

5. Business Development

Jim reported that work has commenced at the Peebles Street site. He has arranged a photo call for 9 May to which Councillors Douglas Campbell and Ian Cavana have been invited.

Jim updated the Board on the various sites that we have been looking at in terms of new build provision. There are more prospective sites in addition to these which could provide an additional 80 or 90 units close to the office which are progressing through the early development stage. Jim listed other sites which Suzi noted means there are a lot of opportunities to choose from. Kenny asked if there would be grant available for all of these projects and Jim confirmed that there would be but we need to be cautious in terms of the impact on our finances generally.

Jim reported that we have been successful in attracting continued funding into 2019 for the Bridging the Gap project which includes the digital inclusion sessions. In the current phase, we will run a further 4 or 5 events targeted at tenants with specific issues in completing online Universal Credit applications.

Kenny mentioned a number of poor quality buildings surrounding the site of our new build project in Peebles Street. Following discussion relating to the Newton area in general it was agreed that we could explore the possibility of a community initiative of some sort – garden, art work or similar – perhaps in partnership with another agency.

In relation to the office, Jim confirmed that the architect has been provided with a brief regarding the extension to allow him to form some initial ideas of what options may be available to us. Mike asked if Jim will provide a timetable from start to completion. Jim confirmed that he will do.

The Board accepted the report.

6 (a) Housing Management – Lettings Plan 2018/19

David summarised the annual performance for 2017/18 comparing quotas to actual performance and noted that in terms of nominations it can be difficult for SAC to respond to nomination requests for example due applicant preferences at particular points in time. That is why the actual performance level of 28% is well below the agreed target of 50%. The 50% target is a formal agreement between AH and SAC and has therefore been incorporated in to the new lettings plan. David pointed out however that 75% of those housed actually had joint applications lodged with ourselves and SAC.

David explained the reasonable preference duty that we have and referred the Board to the table on page 14 of the papers which discloses the split across the classifications.

The Board approved the Lettings Plan for 2018/19.

7 (a) Property Maintenance – Warm Homes Fund Bid 2018/19

Jim explained that our asset management plan includes replacement of inefficient heating systems. An opportunity arose to work in partnership with an experienced contractor to bid for funding from the Warm Homes Fund. Jim was pleased to report that our bid has been successful and we have attracted grant of £229k towards the costs for 70 properties. The balance will be funded by ourselves from funds already included in our financial projections.

We will commence consultation with tenants as the first stage of the process and hope to complete the work over the coming months.

The Board noted the report and thanked Scott for his work on this initiative.

8. Financial Matters – Management Accounts for the year ended 31 March 2018

Alan reported on the management accounts for the year ended 31 March 2018 and confirmed that we had again exceeded the budgeted surplus figure. He also confirmed that the financial strength of the company remains strong and is expected to remain so. The detailed performance indicators are all within target and the loan covenants have been met.

The cash flow statement for the year shows that we have generated £3.8M from our operating activities. This relates to all rental and service charge income less all expenditure on salaries, office running costs, maintenance and so on.

The full development cost added to our asset base in the year was £2.6M. This mainly includes spend on the Kings Arms project and also costs for the improvement programme predominantly Rowan Road, one Mortgage to Rent acquisition, 6 open market purchases, 6 properties from Hansel and general spend on our pipeline development projects. We received grants of £1.0M in the year. We have also sold three properties through the right to buy which has now been abolished in Scotland.

We used the cash generated and received to pay interest of £1.3M and to fund payments on the capital programme. We also repaid £4.1M of loans which includes the Co-op Bank loan repayment.

At the end of the year the organisation had £3.3M less physical cash than it started the year with due to the Co-op loan redemption from cash balances.

Alan reported on the main variances to the annual budget:

Income and Expenditure Account

The Income and Expenditure Account discloses a surplus of £1.8M against the budgeted level of £1.4M for the year. The main variances to budget are highlighted below:

Rent receivable is higher than budget by £69k due to additional rent received from our continued involvement in letting temporary furnished properties which were budgeted at the mainstream rent level going forward.

Void loss and bad debt is lower than the budgeted figure for the year at 0.8% (budget 1.5%) due to lower than anticipated void levels and lower than budgeted bad debt write offs.

Management costs are lower than budget by £2.5k. We have tried over recent years to control our office and general management costs as far we can in terms of annual increases in relation to our objective of keeping any proposed rent rise as low as possible. The graph below shows our office and general management costs in relation to our Turnover:

Insurance costs are slightly below budget. Our claims experience is sufficiently low to minimise any annual increase in premiums which led to a lower than predicted cost to the organisation.

Service costs are overspent by £6k due to unplanned expenditure including lift repairs at Sandgate; septic tank cleaning at Straiton and lightning surge protection works at Good Shepherd Court. There were also a number of door entry system repairs at South Harbour Street, Ayr.

Routine maintenance is under budget by £28k. The Technical Services Manager (TSM) continued to develop a system of budgetary control and whilst there are underspends in some areas in terms of revenue we are over budget for major repairs this year. The budget control process needs to be further refined to ensure virement between budgets are proposed and agreed in year and also a level of contingency considered during budget preparation work.

Major repairs are capitalised as they are improvements to our stock and are therefore not reported within the Income and Expenditure Account. There is an overspend in Major repairs of over £190k due to required works being encountered. This should be viewed within the context of the entire major repair budget for the year being allocated to the Rowan Road works. The more significant classification of expenditure are as follows:

£40k for additional windows and doors for the houses at Rowan Road not included in the main contract; £75k of boiler replacements to 39 properties which had failed and deemed uneconomic to repair; £20k replacement kitchens to 7 properties which did not meet our lettable standard; £25k for replacement of external doors deemed uneconomic to repair; £28k for replacement sun spaces at 2 properties in Ballantrae and £2.5k in relation to Right to Compensation for improvements completed by outgoing tenants.

Void repairs are under budget by £11k. It appears that since the transition from temporary furnished to mainstream for a number of properties expenditure has reduced as the number of times properties become vacant has also reduced.

Cyclical repairs are overspent by £7k due to the repainting of the public art work at South Harbour Street, Ayr and painter works at Rowan Road, Girvan following completion of the improvement work project.

Open Space Maintenance is under budget by £24k. There were enhancement works planned for the last quarter that have not yet been organised or completed due to staff absence. These enhancement works will be carried over to the next financial year and completed if sufficient resource is available.

Interest payable is under budget by £125k. This includes payment of the negotiated breakage charges on the fixed elements of our Co-op Loan which has been repaid.

Interest Receivable is well under budget and reflects the gradual reduction in deposit rates to virtually nil and the reduced surplus cash we have available.

Alan confirmed that the performance indicators are consistent with previous years and show no cause for concern and that the banking covenants are all within the parameters detailed in the various loan agreements.

The Board approved the Management Accounts for the year ended 31 March 2018.

9. Operational Matters

Jim confirmed that the May Board will include a training session on Equalities and Diversity. There will be some normal business conducted as well and Jim will ensure there is sufficient time available.

The work in finalising the internal audit work on governance is delayed slightly due to ill health but early indication is that some work will be needed on how the Board reviews its own performance and that of the Director. Jim suggested that perhaps for this year we should continue with a short individual session for each Board member.

Jim updated the Board on our active participation in both pension schemes which leads to a low risk of any cessation event affecting us. We continue to retain Punter Southall for independent pension advice.

An Audit Committee will be arranged for late June.

Jim reported that we need to make progress on our privacy statement and matters related to the implementation of the GDPR.

The Board accepted the report.

9 (a) Annual Staffing Report

Jim referred to the report and explained the reasons for the significant increase in long term absence due unfortunately to serious illness of some staff members. It was noted that we perform Return to Work interview for any absence, short or long and there is no underlying issue with short term absences.

The Board accepted the report.

9 (b) Annual Procurement Report

Jim explained that we do not require to have a procurement policy but it is good practice to have one.

The report provides a summary of relevant activity and intended actions. Jim detailed the work that has been done or is planned to be done.

The Board accepted the report and agreed to the Procurement Strategy being updated to reflect the proposed actions.

10. Any other business

On behalf of the Board Rhonda thanked Ian Cavana and his Councillor colleagues who had served the Board of Ayrshire Housing so well since its incorporation. In particular, she noted that Ian had been a great advocate of the organisation and his participation will be missed.

Ian thanked Rhonda and the Board for their support over the years and also thanked Alan and David for their professionalism in presenting clear and concise information in an easily understood manner. He suggested that it would be a good idea to try to encourage more tenant participation on the Board and in particular to try to attract young people to become involved for the future benefit of the organisation.

The meeting closed at 6.50pm

Date of next meeting 30 May 2018.

Signed

Dated
