

PUBLIC MINUTES OF BOARD OF MANAGEMENT MEETING HELD ON WEDNESDAY 27 MARCH 2019 AT 10.30 AM IN GRIERSON HOUSE, DUMFRIES

SOME INFORMATION MAY HAVE BEEN REMOVED FOR CONFIDENTIALITY

Members present: Bill Robertson (Chairman), Irene Clark, Robert Carnochan, Maureen Dowden, Rose Gowan, John Henderson, Michael Greaves Mackintosh, Heather Macnaughton (by telephone), David McMillan, George Thorley and Elaine Tyler

In attendance: Alex McGuire (Interim Chief Executive Officer), Hugh Carr (Director of Finance), Jayne Moore (Director of housing Services), Jim Preston (Interim Director of Investment and Regeneration), Eilidh Mowat (Company Secretary), Christopher Watt (Head of Corporate Business), Lorna McCubbin (Compliance Manager), Kelsey Walker (Savills) and Abigail Davies (Savills)

The Chairman welcomed the two new members of the Board, George Thorley and Irene Clark.

1. Statement of Conflict of Interest

1.1.Alex McGuire and Jim Preston in respect of Item 10 as they have been placed with DGHP on Interim contracts by Savills UK Ltd.

1.2.Hugh Carr, Jayne Moore, Eilidh Mowat and Christopher Watt in respect of Item 9.

2. Apologies

2.1.George McBurnie

3. Minutes of Board of Management meeting of 20 February 2019

3.1. APPROVED the minute of the Board of Management of 20 February 2019.

4. Landlord Compliance Update – Presentation

The Compliance Manager gave a presentation on the ongoing compliance actions relating to fire safety, electrical safety and asbestos management. The Board were informed that the Audit Committee had discussed this issue in detail at its previous meeting.

The Board was provided with an update on the progress of the Fire Risk Assessment programme and the inspection and testing of electrical installations in communal areas, noting that the programme is now complete. 461 blocks had been undertaken.

The Board noted with concern the high amount of priority 1 recommendation, ranging from compartmentalisation issues to general housekeeping. 312 of those priority 1 recommendations were in respect of fire doors. The Board noted that the contractors appointed have now inspected and 416 Electrical Installation Condition Reports have been received out of the 456/461 attended. The Board noted there are 36 blocks assessed as requiring code 1 works and 409 blocks assessed as requiring code 2 works.

The Board noted that Mears Group has been appointed to carry out the remedial works and install emergency lighting in identified blocks. Works commenced in

February 2019 and will be completed by June 2019. In respect of domestic premises, it is considered good practice to inspect properties once every 5 years. Inspections have until now been carried out on void properties. The Board noted that there are currently 4741 properties that have not been void in 10 years and 1478 have not been void in 5 years. It was agreed that to ensure the safety of our tenants a programme will be developed for the inspection and testing of domestic properties, the properties that have not been void in 10 years are to be made a priority.

The Board were updated on the changes to Health and Safety legislation in respect of smoke alarms, new regulations coming into force in February 2021. The resource implications of that work were noted.

The Compliance Manager left the meeting.

5. Chief Executive Update

The Interim Chief Executive Officer gave a report. The Board noted the update and noted the potential over reporting on compliance with SHQS. This issue had been reported to the SHR. The Interim Chief Executive also highlighted that the SHR would be publishing the new Engagement Plan for DGHP on Monday 1st April. He explained that he had been provided with a draft of the Engagement Plan which is hard hitting but fair in relation to the ongoing issues for DGHP and that it referenced the governance review and the ongoing strategic options review on our purpose and direction. The Board NOTED the Chief Executive Update.

6. Governance Review final report

Kelsey Walker and Abigail Davies, Savills gave a report on the findings of the governance review. The Board noted the advice that the current structure has not worked effectively in the past. The voice of the tenant is not heard strongly at Board level and needs to be strengthened. The Board discussed each separate recommendation as follows:

Constitution

The Board discussed the proposals around the constitution. The Board discussed the need to ensure that the tenant voice is heard strongly at Board level. The Board noted that Savills believe that the current composition of the board does not allow this to happen. They have reached this conclusion through their observations of the Board. The strengthening of the tenants' voice can be better served by a strong tenant and service user voice. An example of this is to set up a Tenant Senate. The Tenant Senate would allow tenants to contribute strongly to the decision making of the Board, to hold the Board to account, to identify priorities and tenant aspirations. Rose Gowan indicated her objection to the reduction of the number of tenants on the Board, preferring a higher balance of tenants versus independents. The Board noted the good practice recommendations around the size of modern, agile Boards, which should be around 10 – 12 members. The Board AGREED to recommend to the membership that the Articles of Association be amended to reduce the Board size and composition (balance of tenant and independent members to be agreed at a future meeting), introduce fixed terms of office for Board members and remove the prohibition on Board member remuneration.

Heather Macnaughton left the meeting

Structure and Oversight

The Board were advised that the current structure does not work, nor is fit for purpose. The Board discussed the proposals around the Tenant Senate, noting that it would provide a powerful way for the tenant voice to be heard at Board level. The Board AGREED to restructure the committees and Board, set up a Tenant Senate and wind up the District Management Committees.

Board Skills

The Board AGREED to introduce a new Board member skills and competency framework (including behaviours and attitudes) and recruit to the new framework by the AGM in September 2019.

Board Remuneration

The Board discussed the proposals around remuneration, noting the recommendation to remove the prohibition in the constitution on payment of Board members. The organisation must recognise the high level of commitment of particularly the office bearers which is linked to the systemic importance of DGHP. The Board AGREED remove the prohibition to pay Board members and to bring forward a policy on Board remuneration for approval.

Culture

The Board agreed it must commit to leading the organisation on culture change. AGREED to create a sub-group of Board and staff to pull together an action plan to improve the organisational culture and set expectations on 'the way we do things here'.

Compliance with SHR standards

In order to assist the Board to agree an assurance statement by October 2019, the Board AGREED to compile a 'voluntary undertaking' detailed action plan covering all actions underway to demonstrate compliance to Regulatory Standards, and to seek regulatory views on the adequacy of the plan.

7. Performance Report – to end of February 2019

The Interim Chief Executive Officer gave a report. The Board noted that a detailed discussion had taken place with senior management around target setting and the proposed targets will be brought to the Board for consideration at their next meeting. The Board noted that verification of the ARC figures is currently being undertaken by Christine Dugan.

7.1. NOTED the content of the Performance Information Pack.

8. Business Plan 2019/2020 to 2020/21 and Budget

The Director of Finance presented the draft Business Plan and budget for 2019/2020. The Board noted that the draft has yet to be approved by Dexia. The Business Plan and budget were discussed, the Board noting the changes to the Business Plan. The Board noted that the Business Plan will likely change after the conclusion of the strategic review, noting that there may be a new Business Plan in place by September or October this year.

8.1. AGREED the DGHP Business Plan for 2019/20; and

8.2. APPROVED the 2019/20 Budget.

9. Staff Salary Award 2018/19

The Director of Finance, Director of Housing Services, Company Secretary and Head of Corporate Business left the meeting

9.1. APPROVED the award of 3.5% to all staff, except the Directors and Chief Executive, will cost £241k which is within the 2017/18 budget provision;

9.2. APPROVED payment of the 3.5% award, to be paid in March 2019 and backdated to April 2018, to all staff except the Directors and Chief Executive; and

9.3. APPROVED pay awards of 3.0% for 2019/20 and 2020/21 for all staff, except the Directors and Chief Executive, to be included in the 2019 Business Plan and will be paid from April 2019 and April 2020 respectively.

The Director of Finance, Director of Housing Services, Company Secretary and Head of Corporate Business re-joined the meeting

The Interim Chief Executive and Interim Director of Development left the meeting

10. Stock Condition Survey – Proposal

The Director of Finance gave a report on the proposal for a comprehensive stock condition survey, including all housing, garage and office properties, all common parts, SHQS and EESH compliance and costs, EPC's and asbestos management surveys.

The Board were advised that no comprehensive, consistent surveys had been undertaken since 2010. There is evidence that some partial surveys in recent years have been loaded to Keystone in a way that overrode existing data. The Director of Investment and Regeneration is unable to satisfy himself that ARC returns since at least 2016 have accurately reported SHQS and EESH compliance and future costs of compliance. The Board agreed that it is necessary to proceed with the Stock Condition Survey.

The Board noted the recommended procurement route as the Places for People Procurement Hub framework. The Board considered the legal advice from Harper MacLeod, Solicitors dated 21 March 2019, which indicated that the procurement route followed is compliant with procurement law and the DGHP Procurement Policy. The Board considered the use of the Framework, and the confirmation that a discount

from the framework rates had been negotiated, demonstrated an appropriate price and quality assessment. The advantage of this procurement route is that it allows an almost immediate start (against the traditional route), is cheaper (we have negotiated a discount of 16% from the framework rates) and we are already members of this framework.

The Board noted that several other frameworks had been considered but were discounted for the following reasons:

- Procurement for Housing Scotland, Scottish Procurement Alliance and Scotland Excel have no Stock Condition Survey contract; and
- Procurement for Housing (England) does have Stock Condition Survey, but the chosen contractors are not on our lenders acceptable list of surveyors.

The Board discussed the value for money of the contract and having reviewed the supplier's credentials, there being a 16% discount and the need for this comprehensive piece of work to be carried out quickly, it was recognised that the proposal by Savills was at an appropriate price.

The Director of Finance indicated that the proposal may lead to a perceived conflict of interest. The Interim Chief Executive Officer and the Interim Director of Investment and Regeneration are self-employed consultants, with Savills UK Ltd ('Savills'). DGHP has a contract for the services of each individual with Savills UK Ltd. The Board noted that they are not employees of Savills and have no financial interest or benefit in the award of the contract to Savills. The Director of Finance confirmed that the Interim CEO and the Interim Director of Investment and Regeneration have not had involvement in any of the decisions relating to the procurement of the stock condition survey or the proposal to appoint Savills to undertake the relevant work. The Director of Finance confirmed that if Savills are appointed, then the Interim CEO and Interim Director of Investment and Regeneration would not have overall responsibility for management of the contract. The Director of Finance confirmed that if appointed, then the proposal is that the Director of Finance will handle any commercial issues such as deadlines, quality of work, any issues re additional time and costs, invoicing arrangements and payment. In the event of a problem or dispute, the Director of Finance will liaise with the Vice-Chair and Chair of Audit, who would also be regularly updated on progress, rather than the Interim CEO.

The Board discussed the perceived conflict of interest. The Board agreed that there is a potential for a perceived conflict of interest. This had been correctly identified by the Executive Management Team. The Board discussed and noted that neither the Interim CEO or the Interim Director of I & R would benefit financially, indirectly or directly from the contract. The Board agreed that the proposed manner in which the contract is to be run, together with the legal advice from Harper McLeod dated 21 March 2019 that the steps proposed to manage any perceived conflict of interest are appropriate, provided the Board with assurance that any perceived conflict can be managed. The Board agreed that publication of Board minutes, in accordance with the requirements of the new regulatory framework, would ensure that DGHP is transparent about the manner in which the contract has been awarded and that appropriate steps to manage any perceived conflict of interest have been taken.

- 10.1. NOTED the urgent need to update and complete stock condition and compliance information for all of our homes and common areas;
- 10.2. APPROVED the use of the EU Compliant, Places for People procurement framework (which DGHP is a member of), to meet time and capacity constraints;
- 10.3. AGREED the proposal for Savills UK to carry out the Stock Condition Survey as per the Brief; and
- 10.4. NOTED the Vice Chair and Chair of Audit will receive regular updates and that the Board will receive regular progress reports on the survey during the fieldwork stage, and a full presentation of the results on completion.

11. Anti-Money Laundering Policy

The Company Secretary gave a report.

- 11.1. NOTED that DGHP is carrying out 'regulated' activity in terms of the Money Laundering Regulations 2017; and
- 11.2. APPROVED the Anti – Money Laundering Policy.

12. Freedom of Information

The Company Secretary gave a report. The Board discussed the format of the public minute and agreed that the aim is to publish as much information as possible, in accordance with the legislation. The Board agreed that it is preferable to publish the principal minute, rather than having a separate public minute.

- 12.1. NOTED the application of the Freedom of Information (Scotland) Act 2002 to all Scottish RSLs, including DGHP from 11 November 2019;
- 12.2. NOTED the actions to be undertaken and that a detailed action plan will be developed.

13. Chargeable Repairs Policy

The Director of Housing Services gave a report.

- 13.1. NOTED the work of the Scrutiny Panel in reviewing this policy; and
- 13.2. APPROVED the revised Chargeable Repairs Policy.

14. Leases in respect of Currie's Yard and Catherinefield Farm

The Interim CEO gave a report.

- 14.1. AUTHORISED DGHP entering into a lease with Currie European for a period of one year;
- 14.2. NOTED that the funding received from this lease will be ring-fenced and will be reinvested into the development as per the discussion between the Scottish Government and the Interim CEO; and
- 14.3. NOTED that DGHP is continuing with two further grazing lets on the adjacent building site at Catherinefield Farm for a period of one year at commercial rates.

15. Staff Declarations of Interest

The Company Secretary gave a report. The Board queried the aim of the report, noting that this was a process established in 2017 as a result of the Altair recommendations, to allow the Board to have oversight of declarations.

15.1. NOTED the summary contents of the staff declarations of interest;

15.2. NOTED that there are no identified staff Conflicts of Interest; and

15.3. NOTED the declarations made by the Executive Management Team.

15.4 AGREED that this should be a matter for the Interim Chief Executive to check and assure the Board going forward.

16. Chairman's Action

The Company Secretary gave a report. The Board noted that the Standing Orders delegated authority for decisions of an urgent nature to be taken between meetings.

16.1. NOTED the chairman's Actions as reported at Appendix 1, 2, 3 & 4

17. Applications for Company Membership

17.1. APPROVED the applications for Company Membership at Appendix 1.

18. Entitlements, Payments and Benefits Consents

18.1. APPROVED the Allocation listed at Appendix 1; and

18.2. APPROVED the Adaptations and Investments listed at Appendix 2.

18.3 AGREED that these matters should be approved by the Interim Chief Executive and to provide assurance to the Board that these have been approved in accordance with the policy and regulatory requirements.

SIGNED:

DATE: