

MINUTES OF BOARD OF MANAGEMENT MEETING HELD ON WEDNESDAY 1 MAY 2019 AT 10.30 AM IN GRIERSON HOUSE, DUMFRIES

Members present: Bill Robertson (Chairman), Irene Clark, Robert Carnochan, Maureen Dowden, Rose Gowan, Michael Greaves Mackintosh, Heather Macnaughton, George McBurnie, 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), Andrea Paterson (Indigo House Group).

1. Statement of Conflict of Interest

2. Apologies

John Henderson

3. Minutes of Board of Management meeting of 27 March 2019

APPROVED the minute of the Board of Management of 27 March 2019.

4. Chief Executive Update

The Interim Chief Executive Officer gave a report. The Board were updated on the progress of the Stock Condition Survey, which is now well underway. The surveyors have been concentrating on the common areas for asbestos. The Board noted this as a potential notifiable event. The Board were updated on key performance data, noting that the Scottish Housing Regulator has now been formally notified of the under reporting on SHQS compliance. The Regulator is considering the position. The Board noted that Christine Dugan had been assisting the organisation with the validation of figures which had identified some errors in calculations of data, leading to a reduction in the figures reported, particularly in respect of stage 1 & 2 complaints. The Board noted that the regulator has been assured that these calculations will be carried out correctly going forward. The Board noted that SHN will be used to assist this year to validate this year's return. The Board discussed the number of tenancy refusals and noted that 21% is about or just below average. The Board were updated on the impairment issue and the recommendation of the external auditors that this is now noted in the accounts and agreed that the impairment should be included within the accounts. The Board **NOTED** the Chief Executive Update.

5. Strategic Review Final Report

Andrea Paterson, Indigo House gave a report on the outcome of the strategic review of DGHP purpose and direction. Andrea outlined the key areas that

had come out of the review and the recommendations. The Board NOTED the findings of the Strategic Review. The Board discussed the strategic options to take DGHP forward, which are as follows:

- Continuation with current approach;
- Adoption of a more ambitious operating model;
- Adoption of a more ambitious asset growth and development programme;
- Development of a partnership with local RSLs;
- Join or create a group structure; or
- Area based transfer

The Board **AGREED** the strategic objectives that were set out at page 17 of the report, having previously been discussed at the Board workshop, as being:

- Landlord compliance;
- Strong and resilient corporate governance;
- Effective strategic leadership (internally & externally);
- Growing and diversifying our housing offer;
- Investing sustainably;
- Improving access to, and choice of, services for our tenants including digitally enabled services whilst keeping our rents affordable to our tenants and business plan; and
- Gaining and maintaining support from our key stakeholders.

The Board asked about the untapped financial capacity outlined in the report. The Board noted that there is untapped financial capacity of about £100m. The organisation is not currently carrying a particularly high level of debt. The debt per unit could be pushed higher – the balance sheet shows untapped capacity in terms of unencumbered assets. The Board noted that the capacity cannot be accessed due to the restrictions of our loan with Dexia. A group partner would bring the potential opportunity to refinance our loans. The Board discussed the advantages of joining a group structure and noted those as being the ability to carry out investment works quicker, bring additional capacity to assist our development programme to move forward at pace, opportunities for resources that a group structure will bring and the wraparound services that a modern landlord should provide. The Board recognised that tenants would benefit greatly from the services and resources that can be offered by a Group partner. The Board agreed that Option 5 would serve the ambition of the board and quality of life for our tenants. The Board noted the advice from Indigo House that there would likely be an imbalance in terms of size and resource between DGHP and any potential partner. The Board queried whether the Exec team had considered a 'plan B' if we cannot identify a partner that meets our requirements? The Board expressed the need to have a plan B, which would involve looking at who we could align to get the support we need to continue.

After discussion and consideration of the options and noting the recommendations of Indigo House, the Board **AGREED** the recommended option 5 (to join or create a group structure). The Board **NOTED** that any

proposed Group arrangements will be sought on the basis of DGHP remaining a defined legal entity and keeping its own Independent Board, local identity and branding;

The Board noted that Indigo House have been asked to draw up a proposal and advert. The Board discussed the timelines for the proposal and responses, agreeing that in order to progress matters between meetings it would be prudent to set up a sub-committee of the Board. The Regulator has made it clear that we must be compliant with the Regulatory Standards by April 2020, therefore it is imperative the decisions are made at pace. The Board **AGREED** to set up a special sub-committee of the Board, comprising of the Chair, Vice-Chair and Chair of Audit to oversee the identification and selection of proposed Group potential partners. The Board **NOTED** that the decision on any potential Group partner will be made by the full Board.

The Board had a discussion around next steps and **AGREED** that tenants, staff and other key stakeholders will be advised of the Boards preferred option and that a prospectus will thereafter be issued to the wider housing sector to invite interest and proposals from potential partners.

6. Governance Review Update

The Director of Housing Services and the Company Secretary gave a report. The Board were updated on the discussions that had taken place with the tenant groups (existing DMC's and Tenants and Residents Federation), to update them on the proposals around the changes to the tenant engagement structure, which had been so far positively received. The Board **NOTED** the proposals around the 'Tenant Voice' and indicated these are a positive starter which will require further refinement and development. The Board queried whether digital methods of engagement had been considered and agreed that the stakeholder relationship manager should be tasked with considering digital methods of tenant engagement. The Board discussed the proposed composition of the Board, noting the proposals for the new structure would enhance the tenant voice which will be fed up into the Board. The Board noted an EGM will be required to implement changes to our articles to change the composition of the Board and **AGREED** to hold an EGM on 11 July 2019 to implement changes to the Articles of Association. The Board were updated on those members who in terms of the Articles, are due to retire as the longest standing members. David McMillan and George McBurnie must retire and cannot put themselves forward for re-election, as they have both served in excess of nine years on the Board.

The Board **AGREED** the DGHP Board composition of 10 members (7 independent and 3 tenant);

NOTED the Independent and tenant Board retirements;

NOTED that two out of the three tenant Board members must retire and agreed that a decision would be made on the two members to retire would be made at a further meeting; and

AGREED to the creation of the Stakeholder Relationship Manager to oversee the implementation of the tenants' voice and tenant ballot.

7. Performance Report – to end of March 2019

The Chief Executive gave a report.

The Board **NOTED** the content of the Performance Information Pack.

8. Performance Report – Target Setting

The Chief Executive gave a report. The Board expressed a view that the targets are not stretched and noted that we are on a journey of improvement. The Board discussed an ambition to do better than the SHQS standard. The Board indicated that it would be preferable to express the targets over a 2 year period. The Board **AGREED** the KPI targets for financial year 2019/20.

9. Financial Report

The Chief Executive gave this report and advised the Board of some errors in the figures in the report, namely: on page 4 there had been 4 completions, on page 5 the figure should be 521. In paragraph 35, the figure should be £8.58m not £4.84m YTD. The Board queried why the repairs and maintenance figure is high against the budget. The Board noted that the budgets were set on the basis of all of the investment works being done. Instead, those programmes are underspent which puts more pressure on the repairs budget.

The Board **NOTED** the surplus for the year to date of £5,912k, subject to year-end finalisation;

The Board **NOTED** the commentary on the financial performance and projections;

The Board **NOTED** the loans balance at the end of March 2019 was £165m, comprising £110m with Dexia, £40m with THFC and £15m with Allia, and that net debt was £111.447m at 31 March; and

The Board **NOTED** the compliance with all lenders' covenants for 2018/19.

10. Equality and Diversity Update

The Director of Housing Services gave a report and indicated that as part of the Strategic Review, there would be an opportunity to expand the work DGHP does around Equality and Diversity. The Board **NOTED** the updates to the Equality and Diversity Action Plan; and **APPROVED** the revised Equality and Diversity Policy.

11. AOCB

The Board agreed the dates for the next board meetings as being 29 May, 26 June and 31 July.

SIGNED:

DATE: