

BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN
EILEIN SGITHEANAICH LTD
LOCHALSH AND SKYE HOUSING ASSOCIATION

**MINUTES of MEETING of BOARD OF MANAGEMENT held on
Monday, 27th February 2023 at 2.00 pm by Zoom/in person**

PRESENT:

In person Mrs Audrey Sinclair
 Mr Iain Young
 Mr Iain Lewis
 Mr David Clapham

By Zoom: Mr Gareth Morgan
 Mr Robin Nairn
 Mr Rory Brown
 Mr Ken Wong
 Ms Liz Williams
 Mr John Watson
 Mr Donald Fergusson

IN ATTENDANCE:

In person: Mr Chris Docherty (Auditor)
 Mr N Clapperton (Chief Executive - CE)
 Mrs Helen Brown (Corporate Services Manager – CSM)

On Zoom: Mr G Coull (Director of Finance & Corporate Services – DoFCS)
 Ms J MacInnes (Corporate Services Assistant)

1. **APOLOGIES**

Mr R Muir, Ms EJ Johnston and Mr R Sarkar.

2. **DECLARATIONS OF INTEREST**

None were declared.

3. **MINUTES OF PREVIOUS MEETINGS**

3.1 The minutes of the Board Meeting held on Monday 22 December 2022 were proposed as a true and accurate record by Gareth Morgan, seconded by Iain Young and approved unanimously.

3.2 The minutes of the AFR meeting were reviewed. A member raised two points:
(i) With reference to the NHS' underfunding of the Handyperson Service, that he had noted that tenants were subsidising non-rent activities and the need to reduce this.

- (ii) That the Board was not provided with assurance re the Governance action plan at the AFR meeting because the plan was awaiting Board approval.

ACTION:-

- (i) *The minutes to be adopted with these two additions. Corporate Services to make the amendments and return to the Chair for signing on 27th March 2023.*

4. PROGRESS REPORT FROM PREVIOUS MINUTES

- 4.1 It was noted that item 8(i) would be reviewed in April and that item 8(ii) was covered in the CE's report.

- 4.2 It was noted that the meeting was now being recorded.

- 4.3 The rent increase was raised by a member as a risk, with responses from the CE and DoFCS as follows:

A member queried the rent averages and the regulatory agreement between SFHA and the government. Rents should average 6.1%. LSHA are at 8%. The member asked if there was a risk of the Scottish Government requesting a rent decrease.

The CE confirmed that each individual association sets its own rent. The average across Highlands and Islands is 6.04%, so the Government's expectations would be met. Some central belt associations have opted for rent freezes. It is likely that the sector will deliver below 6% on average. There is therefore limited risk of action from the Regulator or government.

The member queried if LSHA have a plan B, a contingency scenario where we would recover if any projected rent increase was below what we had agreed.

The CE stated that the impact of a 5% average had been considered for this year, with options for the management of associated risks. This was an unlikely scenario in future.

The DoFCS reiterated that it was unlikely we would be asked to reduce rent, but there needs to be clear communication as to the rationale for proposed increases and the investments that will be made.

ACTION:-

- (ii) *DoFCS to finalise plan to establish resources to meet the targets to be set and stress test this with lower rent increases.*
- (iii) *CE to note rent increase on the Risk Register.*

5. OTHER MATTERS ARISING

None

6. **RECOMMENDATIONS FROM AUDIT, FINANCE AND RISK
SUB-COMMITTEE (FINANCIAL PLAN):**

Financial Plan 2023 and Quarterly Risk Register verbal report by I Young

- 6.1 The work put into the quarterly management accounts was recognised. There is an overspend (which has been reduced) in part due to slow down in development and rent not coming in as anticipated. The financial plan (currently with Unity Trust Bank) will be finalised for the Board in March.
- 6.2 The rent is now fixed. It is envisaged that LSHA will not need to borrow for repairs between years 1 to 5.
- 6.3 Pensions will need to be reviewed next year.
- 6.4 Risk register review:
Rent arrears are an increased risk in comparison with 12 months ago.
Repair costs are going up, but this risk is being managed.
- 6.5 Stock condition: it was agreed to continue to manage this in-house, utilising existing expertise and experience. Some external quality assurance is planned to satisfy the Board and Internal Audit to provide a review of our current practices, and address regulatory concerns.
- 6.6 The Governance review will be discussed in the private session.
- This verbal report provides assurance to the Board before the full financial report in the business plan.
- 6.7 The next AFR meeting will be held before the March Board meeting in a fortnight.
- 6.8 No questions from Board.

ACTION:-

- (i) DoFCS to provide paper on Pension review in the next year.*

7. **CHIEF EXECUTIVE'S REPORT: For information**

- 7.1 The CE noted the regulator's query re stock condition. He confirmed the AFR report had been sent to the regulator and he will await their response.
- 7.2 Meter switch off noted as follows:

The CE raised an operational risk regarding meter switch off. Aside from lobbying MPs/MSPs or our representative bodies LSHA have limited influence with SSEN / OVO. This will affect over a third of meters and impact tenants most at risk of fuel poverty.

A member wished to clarify whether SSEN, SSE or OVO have overall responsibility for the meter switch off. He noted that customer facing energy selling has been separated by OVO, which is a distinctly different company. A member raised the fact that meters have little to do with the networks.

A discussion took place with members raising points re lobbying MPs and querying whether citizens advice were engaging with the issue. The CE noted that the overarching group HeeHaw that includes all housing associations, local authorities and a number of charities involved in fuel poverty was taking a lead on this issue.

7.3 H&I Board members' forum (an annual event). The Board agreed that the Vice Chair and Chair should attend. Members were invited to state if they wished to attend in future. The CSM will clarify her own attendance this week.

7.4 The Chair noted she will be standing down, with the Vice Chair potentially interested in becoming Chair.

7.5 Kilbeg:

The CE noted that LSHA were involved in the initial stages, but not chosen as the project lead. A member noted one issue related to allocation and suggested that, as LSHA now has a local lettings policy, in future we could engage with the community more positively.

The CE expressed the possibility of LSHA developing a scheme with self-build plots or other tenures, with HHA and Communities Housing Trust acquiring or taking on the management of those units.

Two members questioned Sabhal Mor Ostaig's preference for Gaelic speakers at Kilbeg and the fact that local lettings policies should prioritise housing needs. They were in favour of supporting Gaelic, but not through a priority criteria in the allocation policy. A member referred to Gaelic teacher shortages and whether these might be a housing priority. It was noted that this matter fell under employment criteria rather than Gaelic. As the Kilbeg site is not in the remit of LSHA, no actions were agreed on these points.

7.6 The CE informed members that LSHA had not received funding for innovation around off-site construction and modern methods of construction (MMC), low cost home ownership, self-build plots and other tenures. The MMC element has been picked up by the Scottish Government and HIE is organising a workshop on 15th March, with LSHA and potentially Lochaber and Shetland HA attending.

7.7 A member raised the question of a settlement officer pilot on Skye, potentially managed jointly with a group of housing associations. A member stated that a previous scheme, encouraging people to stay in Western Isles / Uist, was unsuccessful in terms of the low capital grants offered, long term retention of the population, demographics of those taking up the scheme and the criteria, which set up barriers.

7.8 The CE stated that the Highland scheme was a pilot aiming to address the workforce shortages across sectors in pressured areas through: i) ensuring

retention of the exiting population ii) attracting returners with a connection to the island and iii) encouraging incomers. Maintaining that balance is important.

7.9 The Board **noted** the report.

ACTION:-

- (i) CE to amend report to clarify OVO is responsible for electricity meters, rather than SSEN and SSE.*
- (ii) CE and Chair to draft document to send to MP to set out LSHAs concerns about the Meter Switch Off.*

8. **DEVELOPMENT AND PROPERTY SERVICES REPORT**

8.1 The CE asked the Board which areas of asset management progress should be detailed in a separate report.

A member raised the question regarding where adaptations fitted in. The CE stated that some adaptations came under the Care and Repair and Handyperson services, and this expenditure is operational and relatively low, so suggested that it be taken out of Development and reported annually as part of the Handyperson report.

8.2 A member suggested using the RAG risk assessment methodology as a means of calculating risk. Amber and Red risks could therefore be identified and mitigated. The CE agreed to raise this with the SDM.

A member identified a potential issue regarding heating systems and Fabric First, specifically lack of clarity about priorities and exactly how the new policy will be implemented. The CE stated that the plan is to start with the air source heat programme, financed through the Net Zero fund. Building on the work of Property Services and the Energy Advice Manager there will be focus and expenditure later on in the year on Fabric First. The initial priority is to source heat pumps, with 60 properties targeted for remedial action, followed by a further 90 for Fabric First.

8.4 A member suggested that it was crucial to measure the impact of the air source heat pumps scheme on tenants, to establish the positive difference it made to them and to identify what comms work is needed to encourage wider take up. The CE stated that the EAM had gathered a comprehensive amount of data around energy use on every property between 2017 – 2020 which could be used as a baseline. This includes percentages on tenant satisfaction – warmth, heating costs per meter square / fuel bills etc. This data is regularly updated by the EAM. The CE stated he was 100% sure that the EAM would be planning follow up, post installation, as he trains and educates tenants in new build properties on the systems.

8.6 A member raised the importance of peer to peer engagement between tenants to encourage adoption of the new system. The CE noted the EAM's value as an independent arbitrator / adviser and stated he would follow up.

- 8.7 A member asked about the Dunvegan scheme and delays in the school programme. The CE stated that the same contractor is being used for both the school and the housing scheme project. The CE noted there was a need to wait for aspects of the school project to be resolved, but that the LSHA programme is ready.
- 8.8 A member stated that 2024 is a very low number for new properties – which represents a change. He asked for an update on new sites and projects in the pipeline. The CE agreed to share information of arising projects, bearing in mind these were not yet part of the main programme and there is a need to consider confidentiality.
- 8.10 A member raised the issue of community objections to new social housing development sites and how to deal with the PR aspects. The CE responded that LSHA could look at a mixed model, with self builds at market value as well as social rent. A member raised the fact that community members with concerns should be encouraged to put it these writing to LSHA and we can then respond with a common approach.
- 8.11 Members raised the issue of delays to some developments, challenges to timescales and the need to set out a realistic picture in the report.
- 8.12 A member stated that it would be useful to have a plan / map of the site to show the particular area in relation to the location.

No further questions. The Board **noted** the report.

ACTION:–

- (i) Handyperson and Care and Repair Services to be removed from Development Report and reported on separately.*
- (ii) CE to speak to DML about introducing RAG risk assessment*
- (iii) CE to check with the EAM on the level of peer to peer reviews / training on the new systems.*
- (iv) Future Development Reports to include site location maps along with site plans.*
- (v) The CE agreed to ask SDM to check and re-issue report.*

9. QUARTER 3 PERFORMANCE REPORT

- 9.1 A member noted an increase in Reds and Ambers compared with previous quarters. The CE stated that he had informed managers that if a target was significantly at odds with the original target, and there being no time or prospect of recovery then it has to be flagged red as a missed target. He stated that the intention is to make the Board aware.
- 9.2 A member asked a question re the average time for re-letting properties and for emergency repairs. A member asked about staff vacancies and plans for 23/24. The CE responded that there were a couple of technical services vacancies and that a trainee electrician had been recruited. The DoFCS stated that LSHA were

reviewing mechanisms of utilising resources, streamlining and secondments, given funding uncertainties over the past 12 months, specifically related to the Handyperson services.

- 9.3 A member questioned how targets are set, the assumption being that SMT identify these and agree with the Board. He specified that as we had failed to meet certain targets this year we needed to re-assess for next year, creating targets that are realistic as well as ambitious. For example, the quarterly target for rent arrears is 4% and the achievement of that less than 3%, so next year the target could be set at 3.75%. LSHA should recognise difficulties, but also challenge staff and management to meet targets. A member referred to section 8 of the development report, the matrixes for measuring maintenance and KPIs on emergency repairs. For example, 30 houses did not have heating systems completed in Q3.
- 9.4 The CE stated that KPIs / reporting metrics had been agreed years ago and it was therefore time to review the questions asked and the target figures we are aiming for. He noted that arrears had been stable until last year, but had been exacerbated by the cost of living crisis. The fact that the Highland register allocation methods have changed to include a focus on homeless people may warrant a more sophisticated method of reporting.
- 9.5 A member noted that all RSLs have to report targets to the regulator in May and adding in additional KPIs may increase staff workload, so may not be appropriate.
- 9.6 The Board noted and considered the performance report.

ACTION:-

- (i) *CE to review KPI Reporting matrixes and provide clarity and assurance to the Board on points raised.*

10. **RSM AUDIT PLAN 2023**

- 10.1 The auditor, CD, presented the risk profile and audit plan, noting that there had been change this year after a period of consistency.
- 10.2 He noted the team conducting the audit (page 3). Highland Enterprises for purposes of completion (page 4), plus any fraud / significant findings (page 5).
- 10.3 He noted that the auditors present the plan and then re-circulate it to the DoFCS. Page 6 details the timetable for sign off as June 2023.
- 10.4 Page 7 represents the biggest change, which is the revision of auditing standards. The auditing standard signed off this year is ISA 315 - *Risk and Documentation of Risk*. This brought in the category of *Higher Assessed Risk* which sits on the middle of Significant and *Non-Significant*. The onus is on the auditor to document that.
- 10.5 The Risk profile has changed this year, detailed on page 7 as follows:

Revenue, Recognition, and Management Overrides carry a risk of fraud so are deemed significant.

Maintenance and Repairs sit under *Higher Assessed Risk* owing to the fact that development expenditure could fall into different accounting periods at year end. This risk is increasing post Covid.

Going Concern is a risk if realised, as the value of assets could be called into question, plus aged debts. This is not a likely scenario for LSHA.

Valuation of Pension Liabilities. This risk is brought in with auditing standard ISA 315, specific to the external audit. This assesses subjectivity, susceptibility, complexity, estimation and year on year changes. The LSHA pension scheme liability is deemed a *Higher Assessed Risk* this year. The documentation needs to be revised as there are some errors and control deficiencies.

10.6 Page 8 risks describes the risk and responses:

Revenue and recognition - grant and rental income. This should be predictable based on property numbers, additions and disposals, plus reconciling assets with the housing register - the auditors should be able to determine an accurate estimation from those figures. Grant funding received for development should be noted as an income, or liability, plus any expenditure from reserves.

Management can override controls. The past few years data analytics has been trialled in this area, training software to recognise examples of fraud so that the auditors can drill down into those. This will be applied to all transactions going through the organisation. The rationale for introducing this criteria is as a result of learning from frauds in other entities / organisations.

Going concern. This challenges management assessments, performance sensitivity and analysis on forecasts.

Governance compliance. A business plan should be in place which has been signed off – the auditors do not only focus on the short term forecast, but will review the 5 and 30 year outlook.

Pension liabilities. They will review the actuary, obtain valuation reports and TPT sign off the report.

10.7 Page 10 - fees. The audit fee is a 15 % increase this year. 5% due to ISA 315 and an additional 10% due to inflation. The auditor has agreed to reduce this by 2% to cap it at 8%.

10.8 LSHA has paid the audit fee for the subsidiary to ensure it can become dormant.

10.9 Page 11 confirms the auditor's independence as auditors and RSMs.

10.10 The auditor invited questions as follows:

A member raised the fact the audit was an opportunity for the Board to receive external assurance.

A member asked what happens in the event of a significant risk. The auditor confirmed it would be highlighted in the audit findings report, plus investigated with the DoFCS, to understand what action has been taken. The auditors have the right to access any evidence as an impartial entity, but also would ensure a fair reflection in the report. They draft the wording and then provide an opportunity for a management response to set out rectifying actions.

The CE noted that if RSM find fraud it is a notifiable event.

10.11 The Board **considered** and **approved** the contents of the audit plan 2022/23

10.12 The auditor noted that they would submit a revised plan at a later date to include materiality and the audit fee.

11. **Gaelic Language Plan**

11.1 The CE introduced the plan which aims to set out LSHA's position on support for Gaelic, improve access for Gaelic speaking clients and recognise the fact it is a language deemed 'at risk' by the UN. There is the potential for the plan to link in with other HAs and stakeholders.

11.2 A debate took place between members, with questions around the promotion of Gaelic, as opposed to, for example, Polish, the wider accessibility / equality framework of ESL (English as a Second Language), plus access to information about the number of Gaelic speaking tenants. It was recognised that considerable commitment would be required from LSHA staff to reach a reasonable level of communication skill. Members also stated that Gaelic support should not be to the detriment of the main housing activity of the association and queried the costing of the plan. The CE highlighted its importance to LSHA's brand, Skye's culture, identity, the fact it is spoken by 15% of the population of Skye (50% in Western Isles) with a heat map showing Staffin and Sleat as predominant areas. Members highlighted the importance of the two Gaelic medium primary schools, local relationships and engaging with the demographic of tenants who use Gaelic; but cautioned against 'tokenistic' gestures. The CE pointed out that in recent years there has been a push to ensure landlords understand their tenants better. It is envisaged the plan will be cost neutral and a questionnaire was proposed to better understand Gaelic use amongst tenants and staff.

11.3 A debate took place as to whether the Board could approve the plan as a 'plan' as it is in draft form, without measurable outcomes, dates, or baseline data. The Board finally agreed that it should be **approved** with the actions listed under the term 'Our Commitments 2023 – 2028' and the title plan used conditional on changes in some wording and timescales being added.

ACTION:-

- (i) *CE to explore contacts suggested at Govanhill Housing Association, Bord na Gadhlig and another which Board Member is to pass on.*
- (ii) *Wording in Gaelic Language Plan 2023-2028 list of actions to be amended to include timescales where appropriate, and the action plan to be retitled "our commitments".*


12. **MISCELLANEOUS CORRESPONDENCE**

The Mr Harvey – Ms Forbes letter was noted. For information only.

13. **A.O.C.B.**

No other business

Chairperson

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The meeting closed at 4.15 pm and went into the Private Session.
