

WESLO HOUSING MANAGEMENT

BOARD OF DIRECTORS MEETING NUMBER 258

HELD ON WEDNESDAY 29 APRIL 2020

Please note that these minutes have been edited to remove any commercially sensitive or confidential discussions.

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**Minute of the meeting of Weslo Housing Management Board – No. 258
Held on Wednesday 29 April 2020 at 9.30am via MS Teams**

Present: Kate Dewar, Chair (KD)
George Finnie, Community Director (GF)
Donald Caskie, Community Director (DC)
Jim Green, Community Director (JG)
Brenda Higgins, Community Director (BH)
Eileen Porter, Co-opted Member (EP)
Kenneth Redmond, Tenant Director (KR)
Ken Tudhope, Finance Director (FD)
Diana MacLean, Operations Director (OD)

In attendance: Jim Preston, Interim Chief Executive (ICE)
Sarah Bickerstaff, HR Director (HRD)
Gillian Anderson, Corporate Services Team Leader (CSTL) (minute)
Anna Evans, Director, Indigo House (AE)
Patricia Peat, Asset Manager (PP) (Item 14 only)

No	Item	Action
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1. Welcome and Apologies

The Chair welcomed everyone to the meeting. No apologies were received.

2. Declarations of Interest

KD declared that she is a Board member of PACT, a subsidiary organisation of Fife Housing Association.

BH declared that she is the Chair of the Board of Weslo Initiatives, the subsidiary company of Weslo Housing Management.

The FD declared he is a Board member of Weslo Initiatives, the subsidiary company of Weslo Housing Management and a Director of Atrium Initiatives, the subsidiary company of Atrium Homes.

The OD declared that she is a Board member of Clydesdale Housing Association.

In addition, the FD and the OD declared an interest in all items on the agenda as they are employees of the business.

3. Minute of the Board Meeting held 25 March 2020

Subject to a few minor typographical errors, the minute of the meeting held 25 March 2020 was agreed as an accurate record. It was proposed by BH, seconded by GF and will be signed by the Chair.

4. Matters Arising

Board reviewed the progress against the actions from the recent meetings and the tracker was updated:

- Action 48 – The Chair asked if the accrual for the CGPM work is an estimated cost to which the FD confirmed that it is. The Interim CE will negotiate the final costs with CGPM before payment is processed due once this instruction is complete. Currently the combined final reports are awaited.
- Action 64 – BH sought confirmation we used standard component lifecycles in our Investment plan. The Interim CE assured Board that component lifecycles used are the industry standard and have not been amended for local or financial purposes. The Interim CE will circulate to Board the lifecycles used in the Business Plan. EP stated that the Tenant Participation Committee (TPC) has not yet consulted on the lifecycles as there has been no meeting held. **ICE**
- Action 76 – The Chair referred to the Customer Service Standard and the indicator when tenants visited the offices. The Chair would have preferred to see a time standard as well as quality when dealing with enquiries. The HRD stated that customers attend the office for a variety of reasons and the team will ask customers if their enquiry was dealt with and then to rate their experience. The Interim CE stated that there are so many variations of the enquires that we are focusing on ensuring if customers queries were resolved to their satisfaction. The Chair asked that the timescale of dealing with enquiry resolution is considered. **HRD**

The Interim CE stated that an action from the previous meeting was missed from the action tracker which was to 'present the Tenants Satisfaction Survey Action Plan to the (TPC) and the agreement that EP report back to Board on the progress of the action plan, under an item voice of the tenant' The Interim CE and EP stated that there has been no TPC meeting held since the last meeting, but that EP will report back to Board following the next meeting. This action will be added to the Board Action Tracker. The Interim CE stated that he has asked the Housing Manager to arrange a TPC meeting soon. **CSTL
HM**

5. Interim Chief Executive Report

The Interim CE stated that whilst this paper is not for approval, it does contain three key areas for substantive Board discussion, which are Covid 19, Colleagues and our Strategic Options Appraisal. The Interim CE introduced each item in turn.

a. Covid 19

The Interim CE stated that he continues to hold weekly meeting with the Senior Management Team (SMT) and issue weekly updates to Board.

The Interim CE stated that good governance advice and additional Notifiable Events guidance had been circulated by the Regulator and SFHA. The advice discussed:

- if we are unable to reach a quorum,
- if we fall below the minimum number of members required in our articles,
- if we are unable to hold our AGM
- or if we are unable to submit our accounts on time.

The Interim CE stated that the only area of concern is if the number of Directors fall below the minimum number required, and our Articles state a minimum of 7 and maximum of 12. With two impending resignations, the OD in May 2020 and the FD in June 2020, we will reach the minimum number of seven members on the Board. If any of the remaining seven members resigns or retires, we would be in breach of our Articles.

The Interim CE referred to the discussion at the recent meeting about recruiting new Board members and he updated the Board that an advert had been placed in the CIPD. Board heard that one interested party approached us but after a conversation and reflection was unable to commit the time required.

The Chair agreed that it is a precarious position and that HR is the main skill that Board have identified that is needed at present to support the HRD and the forthcoming options appraisal decisions.

JG asked if we are seeking a Board member with specifically HR skills or a generalist Board member. The Interim CE stated that we could advertise generally, and we could give preference to an HR candidate if one applies. The Board agreed to this proposal and that we will seek two suitable candidates.

HRD

The Interim CE referred to the guidance and noted that:

- We successfully now hold Board meetings remotely with all Board members having the function and ability to use MS Teams for various meetings. The standing Orders were amended to accommodate the various means to hold meetings. Our lawyers had been asked to ensure the Articles were compliant and revert to Board.
- The Interim CE confirmed that his weekly report to Board covers all the items contained in the Business Continuity Plan template contained in the guidance. It was noted that on the Risk Register a Business Continuity Plan is to be completed by the 29 April 2020 with HRD as Lead.

The Interim CE outlined the contingency plan should he be off work due to Covid19. The current OD will deputise until leaving her post in May and thereafter the new FD would take over.

The Interim CE stated that a consultant from Indigo House has been appointed to the Interim Finance Director role. Jim Rooney will start at the middle of June 2020 with a two-week handover period.

The Interim CE stated that the Regulator has now published the format of the information that they require, which focuses on staff absence, rent arrears, voids, lets for homeless and cash balances. This is all included in our weekly report. The return is delegated to the Chief Executive to complete but will be shared with the Board before submission.

The Interim CE stated that the latest estimate on arrears is approximately £70,000 to £75,000 up at the end of the month which is 10% increase on our normal arrears. The Interim CE stated at this month end we can assess the monthly income, which is anticipated to be lower than expected along with

the reduced expenditure, to see what impact that has on the cash balance and we will be able to forecast ahead to assess if and when it will become a serious risk to the business.

The Interim CE stated that our arrears were previously lower than the sector benchmark but that it will be interesting to see where other RSLs are positioned as a result of the pandemic.

The Interim CE referred then to Gas Servicing compliance and stated that we currently have five gas services past their due dates and 42 tenants who have refused entry and in eight weeks' time, all 42 will have expired. The Interim CE will speak to the Regulator about this as they have not asked this information.

A further circular from Scottish Government has been issued concerning any opportunity to bring voids back into use, if we could safely do so, to be allocated to homeless and other priority groups. We are in discussions with West Lothian Council about allocating some of the 15 homes we currently have vacant.

The Interim CE concluded by reminding the Board that he will circulate the month end report by the end of the week which will have the most up to date income and arrears data for the first month of lockdown.

The Chair asked about recording a Notifiable Event regarding the Gas Services that we are unable to carry out and which are past their due dates. The Interim CE confirmed that we will make a Notifiable Event and that he has spoken with the Regulator last week who advised us that when we make the notification that we clearly explain that this is due to tenant refusals.

The Chair then asked about the cash flow, and it was confirmed that the maximum monthly income should be in the region of ██████████ not taking account of arrears and monthly expenditure has been smoothed out to approximately ██████████ with some months slightly more or slightly less.

The Chair stated that it was useful not to take every paper as a separate entity but to look at the overall situation. It appears from the Covid paper that it looks like we have surplus when clearly, we have short, medium- and longer-term financial issues. The Chair asked we review the position of staff on furlough and the level of payment Weslo are having to contribute. This will be considered at the next Board meeting.

ICE

Post meeting note- a paper was issued to Board on 8 May to be discussed at a special virtual Board meeting on the 12 May.

Colleagues

The Interim CE stated that a Housing Officer leaves at the end of this week and two Executive Directors will leave in the middle of May (OD) and the end of June (FD). The Board heard that we are currently carrying four vacancies. In addition, we have not confirmed the appointment of one of the Operatives following an unsuccessful probationary period.

The Interim CE stated that presently he is confident that we have enough staff to keep the services maintained. Other than the Interim FD post there will continue to be a freeze on recruitment. Board heard that 16 staff are furloughed from 1 May 2020.

Options Appraisal

The Interim CE stated that Indigo House have carried out focus groups and interviews prior to lockdown and the Project Board Group have met twice during the project. The most recent meeting focused on the financial position, with more additional financial information to be shared with Indigo. The work is on track to be completed by the end of May 2020.

The Chair invited AE to give an overview on the progress to date.

AE stated that the majority of the time spent on the project to date has been on the strategic review which is focused on understanding the organisation in great depth which then informs the options appraisal. This has included the environment strategic operating context, customer services, operational capacity and culture, financial capacity and future purpose and then strategic options. AE gave a brief overview of the findings of each of these areas for Board, noting that the final report will contain this information.

They key points taken from this overview are that:

- The stock condition survey supports the dissatisfaction in their homes which tenants have told us about



AE referred to the options available to Weslo, which started as seven and through the review and discussion with the Project Group is refined to four which AE outlined as:

- Option 1: Status quo, based on year one accounts and to continue for 30 years
- Option 2a: Restructured independence acknowledging that the management costs are high, therefore there is a need to restructure the resource model and contract out repairs
- Option 2b: As above, but disposing of some WI properties to invest in mainstream stock
- Option 3: Weslo wound up, stock and staff transferred to other RSL, once the legal element of this was addressed

Option 4: Join a group to become individual entity with own Board and own staff, keeps their autonomy. This has been a popular option for other RSLs who want the benefit of being stronger in a group.

AE outlined the options which were disregarded and the reasons for these.

DC referred to the substantial pension liability and asked AE if it has any bearing on the options that Indigo are considering. AE stated if the chosen option is anything other than independence, we need to make sure that pensions are not crystallised. If transferring or joining a group, it would have to remain ring fenced.

The Board agreed to hold a special meeting for the Options Appraisal which could be held before the end of June. The Project Board are meeting on 25 May and the report should be finalised by 29 May.

ICE

6. Risk Management

a. Updated Risk Register

The Interim CE stated that the Register had been updated following the previous Board meeting and it is much more integrated into the daily business and the strategic objectives.

The Chair stated that she would speak to the CSTL to add in amendments to the dates and add in additional impacts and descriptions, some of which link to the coronavirus.

CSTL

The OD stated that she was in touch with Christine Dougan and she is aiming to attend the office towards the end of June.

The Board noted the updated the Risk Register.

b. Risk Management Policy

The Interim CE explained the background to the development of the Risk Management Policy which includes a risk appetite statement. This is an action from our annual assurance statement and from the internal audit.

The Interim CE drew Board's attention to the financial risk stating that the current residual score is 20 yet we are proposing that the residual risk for all financial risks should be no greater than 16, therefore it is imperative that we implement the identified actions as soon as practicable.

The Chair asked about the responsibility for identifying new risk(s) and highlighting this to the Board. It was agreed that this would be included in the list of responsibilities of the Chief Executive.

ICE

BH thanked the Interim CE for a clear and easily understood policy document. With this amendment to the Risk Management Policy, it was agreed and proposed by DC and seconded by JG.

7. Regulatory Assurance Action Plan

The Interim CE referred to the Assurance Action Plan and reminded the Board of the new format. It was agreed to add to the covering paper the number of actions completed in the year. He also drew Board's attention to 17 actions which are dependent on the completion of the Options Appraisal.

CSTL

It was agreed that the Chair will speak with the CSTL to add in a few date changes or additional pieces of information and evidence.

CSTL

The Board noted the update to the Assurance Action Plan.

8. Performance Report March 2020

The OD referred to the March Performance report and in particular the addition of the new peer group information. She stated that we will be using this peer group information to benchmark our performance with data supplied and analysed by Scottish Housing Network. We will start to populate the spreadsheet with quartiles.

The key areas the OD focused on was:

- Voids – guidance at present is that all non-essential lettings should not be allocated, but we are trying to carry out as many repairs as possible under the safety restrictions. A number of these voids have been pre-allocated so they will be tenanted as soon as restrictions lift.
- Compliance – the indicators have not changed significantly due to Covid19. She noted there has been some discussion by SFHA about giving an extension to complete the LD2 work.

The Interim CE stated that each month we continue to learn and improve the reporting in the performance report, and he stated that the benchmarking is crucially important to allow Board to see how we are performing against similar sized organisations.

There being no further comments or questions, the Board noted the Performance Report for March 2020.

9. Annual Bad Debt Write Off Summary

The OD stated that in January the Board agreed the change in the process for write offs and this paper presents the first annual summary and request for write off approval. The Board noted the annual write off summary including the write offs from January to March 2020.

BH asked if there was a peer figure for write offs but at present Weslo does not have that information at present. It was agreed that this could be added to the peer information when available.

ICE

The Board reviewed and approved the Debt Write Offs for the last Quarter of 2019/20 to a total of [REDACTED]. This was proposed by GF and seconded by BH.

10. Draft Year End Accounts 2019/20

The FD referred to the draft year end accounts for 2019/20 and noted that this is a brief summary of the extracts of the accounts against last year. He confirmed the surplus should be approximately £[REDACTED].

He stated that the budget was set in February last year and at the June Board it was decided to pause the major planned maintenance work pending the outcome of the stock condition survey.

The major outstanding figure for the accounts is the pension deficit figure and we should receive this from the Lothian Pension Fund at some point in May. The FD noted that whilst this is not a cash figure, it is likely to result in an accounting deficit for the year end. The auditors have completed an interim audit and no issues has arisen so far with the full audit being completed off site next month.

The FD highlighted the key areas in the draft accounts:

- The Statement of Financial Position (formerly known as the Balance Sheet) shows a worsening liquidity figure of £95,000. However, included within that is 12 months' capital repayments to the Nationwide which is over £1m and paid monthly rather than immediately.
- If we achieve the cash flow projections set for this year, we should not need to draw on the [REDACTED] loan facility until the next financial year
- The provision for pension liabilities will be updated once known
- £854,529 have been spent on capitalised items this year of which £188,139 was the Bathroom Contract
- 'Other staff' costs in the previous year are shown in appendix 4.
- A breakdown of the consultant costs was provided in the paper.

BH asked the FD to explain the net current reserves figure to other Directors and how this is calculated. She also highlighted that Weslo is not cash rich, which may be the assumption looking at the reserves figure. The FD explained that reserves include the book value of properties along with grants and long-term loans. The Net current assets figure is the cash-equivalent, albeit the years' worth of capital repayments due to Nationwide distorts the figure to a lower level than we actually have available to us.

GF asked if we were happy that there is no impairment in any of the tangible assets. The FD stated that he will be speaking to the auditors about this and it would form part of the audit review.

The Chair stated that we need to focus on what the spend has been during the year and highlighted that from our [REDACTED]

The Chair noted that the AGM will be held in August and the Auditors are required to show that we are a going concern. The FD explained that the going concern rule is that the auditor must be satisfied that the company will be financially viable 12 months after the date of signing the accounts. From a Going Concern point of view, the FD stated that in his opinion, the auditors will be able to sign off the accounts as the financial

difficulty for Weslo is long term and not in the immediate 12 months, but there will be a disclosure in the accounts to explain this.

The Chair highlighted that the funders are waiting on the Options Appraisal to see what direction Weslo is taking and therefore, the purposes for the £6m loan facility could be changed. DC asked if the loan agreement had a Material Adverse Change clause included it in and the FD was not aware of this but will check the agreement to find out.

There being no further questions or comments the Board noted the draft year end accounts for 29 February 2020.

11. Loan Portfolio Report

The Board heard that it was agreed as part of the Annual Assurance Statement and in terms of good governance that Board is presented with the Loan position every six months. The FD stated that he has included the projections for the next 25 years, albeit the balance will increase when the £6m is drawn down. He stated that an unusual factor is that every one of the loans is on a fixed rate which was a decision taken in February 2020, which does not follow the Treasury Management Policy.

The Chair stated that she does not recall is being said that fixing all the loans was contrary to our Treasury Management Policy, had it been said, the Chair and Board would not have agreed with it.

DC asked about the split of the loan repayments to which the FD confirmed that the payments are split across all loans.



There being no further questions or comments the Board noted the Loan Portfolio.

12. Chairs report

The Chair noted that she has contacted the company lawyers to ask for assurance that we are complying with our Articles and good governance during these unprecedented times.

The Chair then referred to two issues that need to be addressed around the Covid19 situation. The Chair noted her concern at the low level of contact that we have with our tenants. She noted the age ranges of those we are currently contacting but asked SMT to consider a plan to contact all tenants monthly and more often for those who are in arrears or cancelling their direct debits. JG asked if Weslo could work proactively rather reacting to situations as they arise.

JG also asked if any estate visits were taking place and the Interim CE stated that the housing team continue to follow the Government guidance on lockdown restrictions however there are operatives and repairs staff working

in the estates and they would be able to highlight any issues. JG stated this it is important that tenants see Weslo in their communities and we are continuing to maintain the estates. The Interim CE will raise this at the next SMT meeting and give a response in the weekly Board update. **ICE**

The Chair referred to AE's comment that the business has had long term financial weakness for at least a decade, perhaps more, and that our current income is not covering expenditure. The Chair expressed her concern around the low level of productivity from the technical department and that despite our low cash balance of [REDACTED] staff are nonetheless furloughed at 100% of their salary in circumstances where some staffs' salaries are above the £2,500 maximum salary reimbursement under the Government scheme and pension recoupment is well below what Weslo has to pay out.

The Chair also referred to the [REDACTED] expenditure and noted that the Board need to understand and document where that money has been used. **ICE**

She reminded everyone at the meeting that Board conversations remain confidential.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13. WI Board Meeting Minute - 19 March 2020

BH stated the minute from the WI Board is to note. She said that there will be a future paper about the transfer of surplus from WI to WHM and the paper

will explain the implications and benefits of this. Considering the current financial position, as Chair of WI she feels that it would be better to be transferred back to the parent as soon as possible. There will be a paper at the next meeting.

14. Investment Programme Update

Patricia Peat joined the meeting for this item.

The Interim CE introduced the purpose of presenting the paper to the Board. Following the stock condition survey, we are now aware of the update and regulatory work that we need to ensure that we undertake in the stock. Some investment work was added to the budget for this financial year, but the majority of work is programmed for the period 2021 to 2025

The Interim CE stated £1m is already budgeted for our staff to complete items such as gas servicing, smoke detector upgrade work and EICR checks. There is an additional £1.7m to carry out Investment work but we anticipate that we can make additional savings during the procurement process. The Interim CE stated that it is important that we continue to try and invest in the homes as much as we can, ensuring that we maintain compliance with legislation and regulatory standards.

PP referred to the paper presented with the papers and noted that this is an update for this financial year and the team are keen to get the procurement for this programme started as soon as possible. PP highlighted the key areas to Board:

- The programme includes boilers and heating systems identified in the stock condition survey. The procurement process had commenced for the boilers.
- Work will be undertaken on specific roofs where there is severe water penetration and the specifications for these contracts are almost complete.
- We will start to procure internal close painting and the specification for this will be completed as soon as possible.
- The landscape gardening company has returned to work
- Compliance work in relation to gas and asbestos and specification for annual asbestos checks and common closes is almost complete
- With regards to EESSH, PP highlighted that approx. 40% of the stock is failing EESSH regulations and she is finalising the return for the ARC data on this area. An update on our response to this failure will be brought to a future meeting
- It is envisaged that contractors will be on site in Corbiehall in October
- Awaiting estimates from contractors for the windows at Silk House,
- PP stated that whilst the programme has been impacted by Covid19, the draft timetable is being reviewed and it is estimated that we will spend a considerable amount of the budget however there will be a roll over into the next financial year, which will give savings of [REDACTED] on the planned budget for this year.

The Chair thanked PP for a comprehensive report and opened the meeting to questions.

BH asked if we have enough money in the budget at present to cover all of the expenditure. The Interim CE stated that we are forecasting the reduction in income through CoVid 19 will not affect our ability to finance some Investment work on site this year.

BH asked if we can phase the procurement to which the Interim CE confirmed that Weslo will not enter into a contract unless we are able to fund it. BH stated that she is concerned about any future options for Weslo if we are trying ourselves into a significant contract for the investment works. PP stated that we are only contracting until 31 March 2021, and work in following years will be procured once the Option Appraisal is complete

BH confirmed she is content for the work to go ahead but that she would like to see the Options Appraisal work and fully understand the financial implications of this before entering into any contract of works. The Chair asked the Interim CE what is being asked of the Board at this meeting and reiterated Brenda's concerns. The Interim CE stated that this is an update to the paper previously approved, they are not being asked to commit to anything but to note the procurement process. We are proposing to start some work in this financial year, but we won't be signing contracts and only then with Board preapproval for several months to get investment work on site in September if we are able to afford it. The weekly update on cash flow will highlight any budget problem in advance

AE stated that the status quo option and the restructure options assumed the spend that were already included in the Business Plan now. AE stated that she felt that it was important that Weslo carry on with the compliance programme.

JG asked if there were any projections if the cost of the work will increase due to current restrictions. The Interim CE stated that there is likely to be a significant backlog, and should we start the procurement journey now to try to engage sought-after contractors. Should costs increase, the Business Plan will be revisited, and costs revised.

The Chair thanked Patricia and she left the meeting

15. Health and Safety Report (Year ending 31 March 2020)

The HRD noted that the paper highlights the key health and safety information for the year. She referred to the Health and Safety Working group and noted the remit of this group. The first quarter progress from this meeting will be reported to the June 2020 Board meeting.

JG asked if Weslo has introduced additional health and safety measures. The HRD stated that all staff have been asked to complete a workstation desk assessment and these will be analysed once all forms are returned. The HRD confirmed that Weslo supplies PPE for all trades staff and they have been asked to complete robust risk assessments and adhere to social distancing measures rules.

The Chair asked that the remit include be amended to include that the Health and Safety Group will advise the Board of any new laws or legislation. The HRD HRD agreed to add this.

The Chair referred to the incident where two members of staff were locked in a house by a tenant, which was a health and safety incident, but it was noted that the staff did not comply with the health and safety processes. The HRD confirmed that additional measures are now in place to support staff. The Chair reiterated that Health and Safety is the responsibility of every member of staff and the responsibility is not owned by one central person or team. The Interim CE stated that the health and safety group and the lessons learned are good processes which were in operation, but they will be escalated to SMT meetings monthly to keep a focus on learning and continuous improvement.

The Board noted the annual Health and Safety Report.

16. Complaints Report (Year ending 31 March 2020)

The HRD referred to her report and highlighted that the SMT are addressing the issues such as the stage one complaints being out of time and lessons learned. The Board noted the Annual Complaints Report.

17. Any Other Business

a. Weslo App

KR asked if Weslo has a mobile application which tenants would be able to download. The Interim CE stated that this does not exist.

b. Operations Director

The Board noted that this is Diana MacLean's last Board meeting following her resignation as Operations Director. The Board thanks Diana for her hard work and commitment to Weslo in her 21 months with Weslo and wished her well in her new role at Bield Housing.

18. Date, Time and Place of next meeting

The next Board meeting will be held on Wednesday 27 May 2020 at 9.30am in 66 North Bridge Street or via MS Teams.