

**MINUTES OF MEETING NO. 663**  
**QUEENS CROSS HOUSING ASSOCIATION BOARD OF MANAGEMENT**  
**HELD ON TUESDAY 25 JANUARY 2022 AT 6.00 P.M. via ZOOM**

Andrew Burns, Ian Elrick, Margaret Glass, Sadie Gordon, David Horner, John McIntyre, Matthew Millar, Anne Ramsey, Bronwyn Wyper.

Shona Stephen (Chief Executive), Neil Manley (Director of Finance and Corporate Support), Donalda Hogg (Head of Business Services), Elizabeth Hood (Depute Director), Fiona Smith (Executive Office Manager), Adele Drennan (Governance Officer), John Boyle (Head of Property Services – items 4 and 5 only), Niall McKinnon (Head of Development – items 6 and 7 only).

**ACTION****1.0 Welcome and Apologies**

1.1 The Chair welcomed everyone to the meeting.

Apologies were noted for Rona Anderson, Director of Property, Enterprise & Regeneration and Louise Smith, Director of Neighbourhood Services.

**2.0 Declarations of Interest**

2.1 There were no new declarations.

**3.0 Rent and Service Charge Consultation 2022/23**

3.1 The purpose of this report was for the Board to consider the feedback from the tenant consultation and use this information, in conjunction with agreeing the draft budget at item 5, to inform the final decision on the rent increase to be applied from 1 April 2022. And to consider a flat rate increase of £5 for Lockups.

3.2 Rental income is the Association's largest source of income and underpins the Association's ability to deliver services and meet its financial obligations. The decision about the level of change to be applied to rents and service charges is therefore a significant element of the business planning and annual budget setting process.

3.3 This year's consultation took place between 8 November 2021 and 9 January 2022. The Depute Director of Neighbourhood Services confirmed that the survey offered tenants 3 options: 2.9% (the CPIH rate in September), 3.4% and the option to suggest or comment on any other amount. All tenants were contacted, and a variety of methods were used to help to make the consultation exercise as accessible as possible. This included by post, online, home visits, telephone calls and by visiting our office. Due to further restrictions being introduced in December as a result of the new omicron variant, the planned on-site visits were cancelled in the interests of safety. In total, we received 454 returns which accounts for approximately 10% of our tenants. A summary of the findings was set out at section 3 of the report. The Board noted that 297 (65%) of those who responded opted for an increase of 2.9%, with 59 (13%) opting for a 3.4% increase. The majority of the remaining 101 (22%) requested that no increase be applied.

3.4 A rent increase comparison with other RSL's was set out in the attached Appendix 1 showing that the average increase across the sector was between 3.4% and 3.7%. Appendix 2 provided a sample of comments on the proposed increase and provision of our services from those who participated in the consultation.

3.5 The Board were conscious that, although 60% of those who responded feel that their rent provides good value for money and 83% feel that their current rent is affordable, many tenants have struggled financially over the past 2 years and continue to feel the impact of Covid.

- 3.6 A detailed discussion took place with the Board recognising that a balance needs to be maintained between meeting our business needs, increasing costs and affordability for tenants. The Association is currently experiencing a number of external pressures and risks, and the additional costs are still unknown. It is therefore important that the Association generates sufficient income to mitigate these additional costs whilst balancing the affordability of our rents to tenants on low incomes.
- 3.7 To allow the Board to consider the increase in the context of budget setting, it was agreed that the decision on this matter would be deferred until after the discussion on the draft budget had taken place at item 5 on the agenda.

#### **4.0 Investment Programme Update**

- 4.1 The purpose of this report was to provide an update on two of the Association's Investment projects and EESSH (Energy Efficiency Standard for Social Housing) compliance.
- 4.2 The proposed works to the Westercommon maisonettes comprises internal upgrades to tenanted properties (heating, kitchen, bathroom, electrical installation) and repairs to major common components (roofs, balconies, walls and closes) affecting both owner occupied and tenanted homes. Tenders were received on 18 June 2021 from the SPA Framework and the results of the tender returns was detailed at section 3.2 of the report. The Board noted that Covid and Brexit have caused substantial cost increases and the tenders returns are significantly higher than anticipated in 2019. The increase in costs in relation to common works would result in a significant increase in owner occupiers' costs and so the Council were approached to increase the grant available to owners in light of the significant increase in costs, but they are only able to offer an additional £400 per participating owner. Following a full review of options, it is thought that the best solution would be to split the project into two separate packages, namely "Common Repairs" and "Internal Works", and re-tendered to the general construction market rather than using a Framework. This may attract a variety of contractors and provide a more competitive tender and demonstrate to the residents that we are exploring all options in an effort to keep costs as low as possible. The Board discussed the options and agreed with the change of approach. Extensive consultation has been undertaken for Westercommon Maisonettes projects, with further consultation organised when the revised tenders are returned later this year.
- 4.3 The major repairs phase 2 project involves 179 tenanted homes that are due for internal works, and 13 tenements for stone repairs and roofs, with a combination of tenants and owners in the blocks. The Head of Property Services advised that the tender costs received for both the internal works and common repairs were also substantially over what was estimated in the 30-year financial plan. Tender returns were received on 23 September 2021 and the Board noted the costs which were detailed at section 3.8 of the report. Following a review of the options with our consultants, we have decided to carry out a Value Engineering exercise. This is the preferred option as retendering could delay the start date by another 6 months, with no guarantee that prices would reduce. Although the costs are higher than our investment estimates, the Board noted that works are essential to maintain the standards of our assets and to meet compliance targets.
- 4.4 The Head of Property services also provided an update on our compliance with the Energy Efficiency Standard for Social Housing (EESSH). The Board reviewed the remedial plan which was set out at section 3.14 of the report and noted that works contained within the major repairs projects will be completed in the 2022/23 term, with others being completed by 31 March 2022. We plan to have non-compliant properties at below 40 by 31 March 2022.

- 4.5 Following a discussion, the Board:
- a) Noted the re-tendering of Westercommon Maisonettes into two separate contractors, namely a Common Repairs contract and Internal Works contract.
  - b) Noted the Value Engineering exercise for Major Repairs Phase 2, to the approximate sum set out in the report and agreed to delegate authority to the CEO to agree a contract at this value allowing the project to commence.

## **5.0 Draft 2022/23 Budget Report**

- 5.1 The purpose of this report was for the Board to review the 2022/23 draft budget and forward financial forecast, agree the underlying assumptions including the rent increase, and note the further work required before a final budget can be agreed.
- 5.2 The draft budget provides the Board with an opportunity to review the financial plan to ensure it demonstrates forward viability, financial covenant compliance, and also review the expenditure commitments within the plan against our business plan objectives. This has been drawn up with an assumed 2.9% rent increase and the anticipated ongoing impact of Covid. The Director of Finance & Corporate Support advised that this is lower than the current RPI figure as the overall inflationary trend has been significantly adverse since it was agreed at the Board Planning Day in the early autumn. The Board noted that a 2.9% increase would restrict our income growth, and consideration was given as to how this would impact on our ability to deliver on our investment programme and other key commitments and projects. Consideration was also given as to how the volatile climate, rising inflationary costs and the current cost of living will impact on our tenants, and the Board recognised the challenge in ensuring that the Association is able to maintain its financial viability whilst providing value for money services.
- 5.3 The Board discussed some of the key risks within the budget which included the salary increase, uncertainty in relation to the Wellbeing funding and our reduced capacity to invest and deliver on our services. The draft budget assumes a pay increase of 2.5% for most staff and 3% for the Wellbeing team. We are at the early stage of salary discussions with Unite and, with the current inflationary environment, it is expected that Unite will look to the wider sectors agreed increases so there is a degree of uncertainty and risks in the assumption, and we anticipate a protracted discussion on pay this year. Over and above the pay award, the salary budget has also increased as a result of the changes to the national insurance rates that the employer has to pay. This has added a further £60k to the budget. The Board also noted the staffing budget and the additional posts which have been incorporated to support various project work. These posts and structure changes add around £360k to the overall salary costs. The Director of Finance & Corporate Support also explained that we have assumed the Council will continue funding for the Wellbeing service, however if this is not the case then the service will need to be re-worked over the next financial year to take account of the new funding position.
- 5.4 The Board then moved to a discussion on the performance of the Association's financial covenants. Performance against the covenants was detailed in Appendix 5 and demonstrates that the financial forecast as stated does not meet the interest cover target largely as a result of peaks in investment spending in certain years. The Board noted that to be able to meet the interest cover target, the investment budget needs to be reworked in the early part of the programme. During the budget setting process, the Executive Team had also discussed the 2022/23 investment figure to consider whether this was deliverable in the current procurement environment and in the context that it would provide good value for money for tenants and impacted owners. The consensus being that it was best to manage spend in 2022/23, see how the market settles and what impact this has on the forward forecast before considering whether a discussion with the lenders would be required. It was therefore recommended that we stick to the current covenant compliant spend this year as even this may be hard to deliver whilst working

up the following years with an eye to changing market conditions, and then discuss options with the lenders.

- 5.5 The Board noted that the draft budget also includes a reduction of the component budget in 2022/23. The Head of Property Services advised that we are now looking at how to best manage our cyclical programme so that repairs to components can be identified and carried out at an earlier stage to hopefully increase their lifespan.
- 5.6 With inflation being higher than the proposed rent increase, covenant compliance being tighter, and our business plan being based on CPI+1, this has to be balanced up with investment, repairs and costs associated with meeting our EESSH target. The detailed response to the rent consultation process (discussed at item 3) allowed the Board to evaluate the proposed 2.9% increase within the context of the draft budget figures and the consultation response.
- 5.7 Following an extensive discussion, the Board:
- a) Considered the draft 2022/23 budget.
  - b) Agreed proposed further work and changes to the investment programme phasing to ensure that financial covenants are met.
  - c) Approved a 2.9% increase to be applied to rents and service charges for all Scottish Secure, Scottish Short Secure Tenancies and Leased properties to take effect from 1<sup>st</sup> April 2022
  - d) Approved a flat rate increase of £5 for lock-ups.
  - e) Noted that the final 2022/23 budget will be presented to the Board on 29 March for approval.

## **6.0 Hamiltonhill Phase 1 Tender**

- 6.1 The purpose of this report was for the Board to consider and approve the acceptance of the works tender received from Robertson Construction Group in the sum of £ for the delivery of 178 social housing units as the Hamiltonhill Phase 1 development.
- 6.2 The Head of Development was in attendance to speak to the report. He advised that an initial tender was received from RCG in March 2020 in the sum of £ to provide 175 units for rent. This was approved by the Board on the basis of a grant approval from GCC in the sum of £ however during the process, the construction market over-heated and Urban Union advised that they were unable to enter into a fixed price. Since June 2021, negotiations have progressed to find an acceptable solution for all parties.
- 6.3 Phase 1 now comprises of a total of 208 units, with 178 social rented units for QCHA and 30 units for sale, to be delivered by Urban Union, with additional units now included due to the resolution of potential problematic ground conditions. The tender provided by Urban Union only relates to the construction of the 178 units for the Association and this housing mix is provided in Appendix 1. The tender sum for construction work is now £ and the Association's Employers Agent has assessed the tender price and reported that the tender price can be considered to provide value for money in the current circumstances. A copy of the Tender Report was also attached for information and includes justification for the recent significant cost increases and Robertson's approach to try to minimise further cost increases.
- 6.4 The Board noted that the tender sum included priced rates for all elements of the construction based on current market conditions. However, to insulate Urban Union from further price increases over the 3-year construction period, a contingency sum or 'risk pot' has been agreed to be included in the sum of £.
- 6.5 A revised Grant application has been prepared and was submitted to Glasgow City Council in the amount of £ on the basis of total project costs of £. This cost has previously been assessed as acceptable by the City Council, although we await their

formal approval, which is subject to Scottish Government confirmation due to the amount of grant involved. Urban Union are currently planning to commence on site in February 2022 on the basis that the formal approval will be forthcoming in early February.

- 6.6 The Finance Director has incorporated the financing required to develop the site into our 30-year financial planning model (Brixx) and this shows that a long-term loan requirement of this amount can be serviced from the projected rental income.
- 6.7 The Head of Development advised that he was seeking Board approval to accept the tender but explained that it does come with some risks which were detailed in Appendix 2. The main contract risk remains the potential increase in construction costs of materials and labour during the contract period, and the Contractor and the Association's ability to fund these. The Board noted that the contingency sum is designed to address this risk but a greater increase in costs would have significant impact on the proposals, resulting in a requirement for savings by the Association and/or a request to GCC for additional grant funding on completion.
- 6.8 Following a discussion, the Board:
- a) Approved the acceptance of the works tender received from Robertson Construction Group in the adjusted sum of £, for the delivery of 178 social housing units as the Hamiltonhill Phase 1 development.
  - b) Agreed that the tender is only to be accepted once a formal offer of grant in acceptable terms has been received from the City Council. The Development Agreement for delivery of the full Hamiltonhill regeneration proposals will also have to be agreed to allow execution at the same time as the Building Contract.

## **7.0 Strategy & Development Funding Plan**

- 7.1 The purpose of this report was for the Board to note the proposed future development programme outlined for the next 5 years to identify the grant support required by the Association over this period. The Board was also asked to note that the Association's Strategic Development Funding Plan (SDFP) for 2022-2027 was submitted to the City Council by the due date of 23 December.
- 7.2 The SDFP format is a series of Tables providing information on the various projects proposed in the 5-year period and beyond. The document was provided for consideration, with the Tables summarised in Appendix 1 to this Report. The Plan now identifies the 4 phases of Hamiltonhill development to be delivered, over the next 8-10 years as identified, by Urban Union/Robertson Construction Group. The other main project in the period is at Burnbank Gardens, where the Queens Cross will receive 100% of the grant funding with Glasgow West HA meeting 50% of the private finance.
- 7.3 The Head of Development advised the Board that, to date, there had been no news following the submission of our recent bid for the acquisition of the former school at 39 Napiershall Street. Nevertheless, this had been included in the programme to confirm the budget and grant requirements over the next few years, if successful.
- 7.4 There are other projects which can be programmed around these proposals although the Association requires to define precisely what priority housing need these projects will address and if grant is to be obtained. These projects were set out in the report
- 7.5 The Head of Development added that MMRs tend to attract lower levels of grant funding, which is often attractive to the Council, however further discussions would require to take place before we could take any project forward. It was suggested that this be added to the action tracker and included as a topic at a future Board Meeting or Planning Day.

- 7.6 Following a short discussion, the Board
- a) Noted the proposed future development programme outlined for the next 5 years, submitted to the City Council to identify the grant support required by the Association over this period.
  - b) Noted that the Association's Strategic Development Funding Plan (SDFP) for 2022-2027 was submitted to the City Council by the due date of 23 December.

## **8.0 Review of Internal Audit**

- 8.1 The purpose of this report was to present a number of reviewed governance documents to the Board for consideration and approval.
- 8.2 In June 2021 the SFHA, with input from the SHR, updated its guidance on internal audit. The model guide has been modified to ensure compatibility with the QC Group of organisations and the key changes were highlighted in Appendix 1. The guide will be added to the Learning and Development section in the Board Portal and will be particularly useful for any Board Members who are interested in finding out more about the audit function or joining the committee as it provides a comprehensive overview of the internal audit process. The Audit Committee considered the updated guidance when it met in August 2021 and has recommended a number of changes to the Risk Management Policy (Appendix 2) and 7 of the existing governance regulations (collated in Appendix 3) for consideration and approval by the Housing Association Board.
- 8.3 The Executive Office Manager invited questions and comments from members, however there were none.

The Board:

- a) Agreed to adopt the new QC Group Internal Audit Guide (Appendix 1)
- b) Approved amendments to the QC Group Risk Management Policy
- c) Agreed to change membership of the Audit Committee to include the appointment of members who are not members of the Housing Association Board
- d) Noted and agreed amendments relating to audit and risk in the following 7 documents (Appendix 3) that form part of the QC Group Governance Regulations:
  - i) Role and Responsibilities of QC Group Committees
  - ii) Housing Association Board Terms of Reference
  - iii) Subsidiary Boards Terms of Reference
  - iv) Audit Committee Terms of Reference
  - v) Group Authorising Framework
  - vi) Standing Financial Instructions
  - vii) Scheme of Non-Financial Delegated Powers

## **9.0 Note of Board Planning Day – 26 Nov 2021 & New date for June Planning Day**

- 9.1 A note of the Board Planning Day which took place on 26 November 2021 was presented to the Board for approval. This was agreed by the Board as an accurate account of the meeting.
- 9.2 The CEO advised that the next planning day was scheduled to take place on 17 June 2022. As we are expecting a number of staff and Board Members to be on leave or unavailable in mid-June during the peak holiday season, the CEO sought agreement to bring the next planning day in June 2022 forward to ensure maximum attendance by Board Members and staff. The Board agreed to bring the meeting forward and noted that the Governance Officer would be in touch to agree a new date.

**Adele**

## **10. John Gray Bursary Scheme Proposal**

- 10.1 The purpose of this report was for the Board to consider and agree the creation of the John Gray Bursary Scheme in recognition of John Gray's contribution to QCHA and the community.
- 10.2 John Gray was a former chairperson and longstanding board member of Queens Cross Housing Association. He was an elected member for over 40 years and was involved in one of the City's first initiatives to create a strategy to tackle multiple deprivation and was motivated to fight poverty and inequality. The Head of Business Services advised that setting up a bursary scheme was already a commitment within the Community Foundation's 2020-25 Business Plan and so introducing the John Gray Bursary Scheme was thought to be a fitting tribute and supports the commitment of the Queens Cross Group to challenge poverty and directly contributes to our strategic objectives.
- 10.3 Taking account of rising living costs and comparability with other grant schemes the John Gray Bursary will be set at £2000 per year for a full-time study programme or £1000 for part time study for 2022/2023. The first year of the bursary will be used to pilot the scheme so will be limited to a total of 5 awards of £2000, a total of £10k for the year. Each organisation within the QC Group was therefore being asked to pay an equal contribution of £2,500 for the 2022/23 financial year. The bursary will require ongoing financial support from all organisations within the QC Group, however the intention is to also support the fund to expand through external funding.
- 10.4 The scheme will be monitored and managed through Queens Cross Community Foundation and how this would work in practice will need to be discussed and ironed out by the members of the Foundation Board.
- 10.5 The Board:
- a) Agreed to the creation of the John Gray Bursary Scheme
  - b) Agreed to contribute £2,500 for the first 2022/23 pilot year
  - c) Noted that the Foundation's Board will monitor the progress and success of the scheme and will ensure feedback is provided to the other Boards of the QC Group.

## **11.0 Health and Safety**

- 11.1 This is an opportunity to report on safety performance, funding requirements, safety failures and any other H&S related issues, to allow the board to give all such issues due consideration.
- 11.2 There were no matters to report.

## **12.0 New Membership Applications**

- 12.1 There were no new membership applications to be considered.

## **13.0 Minute of Meeting No. 662**

- 13.1 The minutes of meeting no. 662 held on 30 November 2021 were reviewed for accuracy and matters arising.

These were agreed as an accurate account, proposed by Anne Ramsey, and seconded by Bronwyn Wyper.

## **14.0 Action Tracker**

14.1 AT 2021/22:04 – A report in relation to rent in advance will be considered by the Audit Committee when it meets on 7 February and an update will be provided to the Board at the next meeting on 22 February.

14.2 AT 2021/22 – 05 – new item added to the tracker in relation to a discussion on properties for mid-market rent as agreed at 7.5 of this minute.

**15.0 AOB**

**16.0 Date and Time of Next Meeting**

The meeting concluded at 8.05pm.

The next meeting is scheduled to take place on Tuesday 22 February at 6pm. The Board agreed that if restrictions continue to ease then we will plan for an in-person meeting at 45 Firhill Road, with Zoom a 'Plan B'.

I certify that the above minute has been approved as a true and accurate record of proceedings:

**Chair:** ..... **Date:** .....