

**GOVANHILL HOUSING ASSOCIATION  
MINUTES OF MANAGEMENT COMMITTEE MEETING  
WEDNESDAY 15<sup>TH</sup> DECEMBER 2021 AT 6.30PM  
ONLINE MEETING**

PRESENT: John McLardie (Chair)  
Keith Kintrea  
Elizabeth Klein  
Iain Doherty  
James White  
Jen Cassells  
Wilma Logan

IN ATTENDANCE: John Quinn, Director  
Shannon Watson, Head of Finance & IT (HF)  
Alison Kevan, Head of Corporate Services & HR (HCSHR)  
Alan McDonald, Head of Development & Property Services (HDPS)  
Nicki Bruce, Minutes

The Director introduced Claire McGraw to Management Committee and advised Claire was attending this evening's meeting as an observer ahead of her taking on the role of Head of Tenancy Services in January 2022.

**1.Apologies**

Annie Macfarlane, Barbara Robertson, Mujeeb Ur-Rehman and Ghazala Hakeem.

**2.Declarations of Interest**

Jennifer Cassells declared an interest in item 5 – Factoring Management Charge. The Committee had no objection to Jennifer remaining for this part of the meeting.

**3.. Minutes of the Management Committee meetings held on 17<sup>th</sup> November 2021**

The minutes were proposed by Keith Kintrea and seconded by Iain Doherty.

**Matters Arising – New Management Committee Members**

The Director advised 2 of the share applications requiring approval were from 2 tenants wishing to join the Management Committee. The Director and Chair have met with both candidates and it was previously agreed at the November Management Committee they could be co-opted to Committee once their share applications were received.

### **3.1 Minutes of the Management Committee meetings held on 3<sup>rd</sup> August 2021**

The minutes were proposed by Jennifer Cassells and seconded by Keith Kintrea.

#### **4. Staffing Paper**

The report was presented regarding possible staff redundancy consultation due to confirmation of funding not being received ahead of the contract end date in March 2022. This has become an annual issue as confirmation of funding from Scottish Government and other funding streams tends to be delayed and until notification is received from funders the redundancy process must be adhered to.

The funders have indicated the funding will arrive and they were scheduled to meet today to make the final decision but notification has not yet been received. If the notification is not received by 6<sup>th</sup> January 2022 the redundancy process will commence.

***The Management Committee noted the approval already given by the GCDT Board for the commencement of the redundancy consultation*** [REDACTED]

***The Management Committee approved the redundancy consultation process for the remaining posts and its commencement for all relevant posts in January 2022 as required by funding decisions.***

#### **5. Rent Consultation**

The reports were presented to Committee and the HDPS advised it had been hoped the pandemic would have reached its conclusion by now and the rent restructure to assist those without benefits would be complete but unfortunately this is not the case. The market continues to be demanding with contractor and service costs continuing to rise as well as insurance premiums increasing. Inflation will likely increase further as the projected inflation figure for March 2022 was 5% although it was noted that this figure was reached today.

The HF presented the forecast for the year ending March 2022 and budgets for the four years to March 2026 which include the actual results for the first 6 months of this financial year. The Association has not been able to catch up with Major Repairs work due to the ongoing pandemic and the newbuild programme has been delayed. The forecasts issued to Committee on Monday are based on CPI+ 0.5% rent increases and the salary figures have also been based on current staffing salaries; negotiations continue between EVH and the union, and so an estimate for inflationary increases in salaries of CPI + 0.1% (3.2%) has been included. The October CPI rate is 4.2% but it is unlikely employers will agree to an increase of this level.

The details of the repairs and development spend were discussed and particular note was given to 200 Butterbiggin Road and the cladding issue which has recently been discovered

as well as the new regulations regarding EESSH where no properties can have a D rating or below by 2025. There is no budget apportioned to these as the costs are unknown at this stage.

In terms of overheads the HF met with the insurers yesterday who have advised reinstatement costs will increase by 8.2% in line with the RICS standard which means the premiums will also increase by this amount.

Samaritan House also requires work to the building ahead of staff being brought back. This work includes the upgrading of the ventilation system and the upgrading of the emergency lighting system.

There is £6 million available in the CAF Bank loan facility which may be used to cover the additional expenditure already noted but these costs are not yet known.

The HF discussed the various scenarios based on the forecasts which show CPI +1% rent increases would guarantee cash levels remain above the minimum level needed. CPI +0.5% rent increases for all years would mean the cash held by the Association would start to decrease and would run out by year 18, and other scenarios given showed cash decreasing faster. It was further advised these scenarios are pure conjecture given the current financial situation caused by Covid and Brexit but it was noted the Association has limited the rent increases in the past. It was also reported that many of the Association's lending rates are variable.

The HF reiterated the budgets are based on broad estimates at this stage but any decisions taken in the short term to again limit rent increase will need to be addressed further down the line and rents will need to be increased if costs continue to climb at rates being experienced at present.

It was agreed that it would be a difficult decision for the Management Committee to agree on next year's rent increase levels, with the Committee questioning whether it would be prudent to suggest an increase in rent income to defend itself against the risks of increasing costs; or on the other hand, to make a decision on the rent increase level aware of other reputational risks for the Association or how it may increase rent arrears.

The HF advised that if Committee decided to restrict the level of rent increase again this year, rents would require to be increased in the future.

It was queried what other Associations have decided in terms of their rent increase and noted there was a mixture of both high and low increases so far and in previous years the Association's rent increase tends to be average. Information about this is attached at Appendix 2.

There has been an increase in the number of tenants who are dependent on benefits, with 70% now requiring financial support. The HDPS advised an increase of CPI only would create a cost to tenants of £2.90 extra per week and CPI +1% would incur a £4 per week increase on average. It was also noted that Glasgow City Council have not yet advised their decision regarding Council Tax.

It was advised GWSF had released the seventh edition figures regarding the rent increases on the 9 December which provided a clear indication that Associations with older housing stock were considering the idea of CPI +0.5% increase.

It was noted the reality is inflation costs are increasing and there is a need to protect both the Association and the tenants. It was questioned if there was a safe option open to the Association which would balance these 2 factors? The HF advised that CPI only rent increase was not tenable but CPI +1% was safe and was also the figure assumed in the Business Plan.

It was queried if this was why there was £11 million in the bank and it was discussed that this was largely due to the underspend on reactive and planned maintenance and the delays to the new build project; cash was also affected by having to draw down the remaining Charity Bank (£2.5 million) facility before it expired. The HF cautioned that the Association would be restricted in the amount of expenditure it could catch up in future years due to the limitations placed primarily by Barclay's financial covenants, and so some planned improvement expenditure might always need to be delayed.

The HF thinks that cost increases from contractors and suppliers will plateau but it is volatile at present. It was noted that the forecasts show the Association will be in breach of the interest covenant next year which resulted from works which had been planned to be completed this year being pushed back into next year due to the pandemic. Costs are expected to rise substantially next year.

The current CPI figure is 5.1% and there is a concern this is a short term peak; any action taken by the Bank of England to bring inflation down will impact on the Association by increasing interest rates paid on borrowings.

Given the current situation it was noted it was difficult to understand other association's decisions and the surprisingly low rent increases.

It was suggested the Association could consult on September CPI +0.5% or CPI +1% but CPI +0.5% was the best the Association could do for its tenants as no increase will not be possible.

It was suggested that tenants should be given the implications including information relating to Major Repairs contracts (eg. numbers of kitchens which would not be upgraded by a £60k difference in rent income, etc).

It was agreed that CPI +0.5% would be the best option for tenants and that any letter to tenants should make it absolutely clear why an increase was required. The letter should also include exactly what the rent increase would mean for tenant's pockets. The HDPS advised the +0.5% roughly equated to a pint of milk a week on top of inflation.

It was queried what the effect would be on the Asset Strategy and the Rent Restructure.

The Association must adhere to the updated energy efficiency guidelines for EESSH2 and within the timeframe listed as 2032 and the earlier deadline of 2025 for the D rated properties previously mentioned. There is also the asset strategy to consider as well as cashflows.

### **Rent Restructure**

It was noted the Association would need to re-engage with tenants regarding the rent restructure as it has been delayed by 2 years. Once the restructure is completed 70% of Association tenants would be better off although the other 30% would see an increase in their rents. A minority would need to find an extra £20 per month. Careful consideration should be given to the tenants and extra costs charged as there will be more cost increases from other parties to come which will have a potential impact on rent arrears. It was also noted that there is never a good time to carry out a rent review, but it was required.

The Management Committee approved consulting with tenants on CPI +0.5% and CPI +1%.

The HDPS advised a paper will be prepared for the F&GP meeting in February and for the Management Committee meeting in March and it was also advised the consultation could not be face to face this year due to the pandemic restrictions.

The HDPS queried if the fair rents tenants should also be consulted regarding the rent increase. There are less than 150 of this tenant type and Committee agreed they should not be included in the rent consultation as they have an opportunity to do so in the Rent Registration Process every three years.

The rents for the Support Projects were discussed and the Management Committee approved setting rent increases for projects a CPI +1% (4.1%).

The Factoring increase was discussed with the proposed increase of CPI +1% as per the Business Plan with an additional £5 applied from April 2022. It was advised the owners had been issued with revised Written Statements as per changes in legislation and it was noted the tenants cannot be expected to cover the additional costs for the factored owners. The HDPS also advised the Association applied a much lower insurance cost for owners than other Associations and it was deemed to be a competitive rate.

***The Management Committee approved the rent consultation should offer the following options to tenants: CPI +1% and CPI +0.5%.***

***The Management Committee approved the Fair Rent tenants should not be included in the rent consultation.***

***The Management Committee noted the rent restructure will take place separately with a potential start date of September 2022.***

***The Management Committee approved the rent increase for the support projects of CPI +1% from 28 March or 28 April 2022 as applicable.***

***The Management Committee approved the Factoring Management Charge increase of CPI +1% with and additional charge of £5.00 from April 2022.***

## **6. Microsoft 365 Pricing**

It was advised in November 2020 that Microsoft had announced housing associations would no longer be eligible for the charity rate of Office 365, and in November 2021 it was discussed that Microsoft was moving housing associations off of charity rates. Some of the larger housing associations have had back dated charges applied. The team have gone through the process to lower the costs of this change and have managed to lower the initial cost of +/- £30k to £11, 241 p.a. with Vodafone being the cheapest supplier of the service. The Vodafone contract is a 1 year contract and there is no real option available to avoid the business license charges.

It was noted how surprisingly low the Vodafone figures were which the Association had managed to secure and queried if there were any other options in terms of deals and taking out a longer contract.

It was advised this is the lowest rate available as 3 quotes had been sourced and this was the cheapest of the 3. It was also noted Vodafone are part of the Government framework which enables them to offer discounted rates.

***The Management Committee approved the granting of a one year contract with Vodafone who are part of the Government framework.***

## **7. Minutes of Sub Committees**

**Development & Property Services Sub Committee meeting held on 14 October 2021**

**Tenancy Services meeting held on 21 October 2021**

***The Management Committee noted the content of the Sub Committee minutes.***

## **8. Report Back from Other Organisations**

### **EVH**

It was advised an Executive Committee meeting was held in November 2021 and the minutes of the meeting have not yet been circulated but this will be circulated when they become available.

### **GWSF**

Reports and information are circulated to the Management Committee.

### **SHARE**

It was advised the next meeting of the Executive Committee is scheduled for January 2022 and the organisation have appointed a Temporary Director as the previous Director left the organisation earlier in the year. They are currently in the process of seeing a new Director.

## **9. Documents for Formal Execution**

4 new Share Member Applications were presented.

*The Management Committee approved the 4 Share member Applications.*

## **10. Correspondence – For Information**

None

## **11. A.O.C.B**

### **11.1 200 Butterbiggins Road – Rain Screen Cladding Issues**

It was noted that following the Fire Risk Assessment at the Butterbiggins Road development in the Summer a query was raised regarding the cladding on the building and whether it was non-combustible. Cladding has become a big issue since the Grenfell fire with new guidelines released to ensure it is not repeated.

Scottish Government (SG) published a guidance note in August this year relating to the combustibility of cladding if the top floor was in excess of 18 metres. This height limit has now been reduced to 11 metres and the SG expectations on how Housing Associations should be managing the issue.

200 Butterbiggins Road has 2 types of cladding present. One of which is high pressure laminate, or HPL as it is known, the other a Aluminium Composite material (ACM). The latter cladding was not the cladding type listed on the building plans and was changed at some point during the construction and the reason for this is being investigated but is likely cost saving.

The issue is being presented to Management Committee as investigations are ongoing and the outcome is not yet known and will have cost implications for the Association. The current assessment is the cladding is likely to be combustible and work is being done to minimise the risk. The HDPS has spoken with the Commander at Polmadie Fire Station who will visit the building and provide advice in relation to there being a fire alarm and the best course of action for tenants i.e. Wait in flat at window unless the fire is in their flat. He has also advised if there is a fire alarm at the building an extra fire appliance will be sent out.

The HDPS also advised the insurance company has also been alerted to the potential issue.

The SG guidance is to remove the cladding panels if they are Type 3 Metallic Composite Material (MCM) as soon as possible.

Fire Safety advice will be issued to tenants in 200 Butterbiggins Road prior to the Festive Holidays.

## **12. DATE OF NEXT MEETING -**

GCDT Board meeting to be held on 19<sup>th</sup> January 2022 at 6:30pm if the Board are available for this additional meeting. Nicki will contact the Board to check

Management Committee Meeting 26<sup>th</sup> January 2022 at 6.30pm

The meeting closed at 8.10pm