

CASSILTOUN HOUSING ASSOCIATION

**MINUTE OF MEETING OF BOARD OF MANAGEMENT
HELD ON MONDAY 13TH AUGUST 2018 IMMEDIATELY PROCEEDING THE ASSOCIATION'S
ANNUAL GENERAL MEETING
IN CASTLEMILK STABLES, 59 MACHRIE ROAD**

Present:

Anna Stuart MBE	George Kelly
Evelyn Ferguson	William Craig
James Garrow	Julie McNeil
Debbie MacKenzie	Adam Milligan
Teresa Sadler	Donna Ferguson

In Attendance:

Charlie Millar	Chief Executive Officer
Paula Brownlie	Corporate Services Manager
Gamal Haddou	Director of Finance/IT
Laura Edwards	Development Consultant (Part Meeting)
Lauren Little	TC Young Solicitors (Part Meeting)
Luise Siekman	Regulation Manager (Finance), SHR (Part Meeting)
Nigel Gregory	Regulation Analyst (Finance), SHR (Part Meeting)

1. WELCOME, INTRODUCTIONS, SEDERUNT & APOLOGIES

Apologies received from Teresa McGowan

2. CONFLICT OF INTEREST (PERMANENT REGISTER)

None

3. INTRODUCTION AND WELCOME TO NEW MEMBERS

Chief Executive Officer introduced and welcomed Donna Ferguson, new board member to the Board of Management. Donna will be allocated Debbie MacKenzie as her mentor at board meetings.

4. ELECTION OF OFFICE BEARERS

Chairperson:	Anna Stuart	Proposer:	William Craig
		Seconded:	Teresa Sadler

No other nominations for Chairperson, Anna Stuart was elected as Chairperson.

Vice Chair:	George Kelly	Proposer:	Evelyn Ferguson
		Seconded:	Jim Garrow

No other nominations for Vice Chairperson, George Kelly was elected as Vice Chairperson.

Secretary: Evelyn Ferguson Proposer: Anna Stuart MBE
 Seconded: William Craig

No other nominations for Secretary, Evelyn Ferguson was elected as Secretary.

Treasurer: George Kelly Proposer: Evelyn Ferguson
 Seconded: Julie McNeil

No other nominations for Treasurer, George Kelly was elected as Treasurer.

5. **12 MONTH GOVERNANCE CALENDAR OF MEETINGS**

The Chief Executive Officer outlined the Association's Governance Calendar for the next 12 months. The Governance Calendar includes Operations Sub Committee, Staffing Sub Committee; Group Audit Committee; Regeneration Sub Committee; H&S Committee and SMT meetings.

The Board approved the contents of the Governance Calendar.

6. **NEW BOARD MEMBERS INDUCTION**

The Chief Executive Officer intimated that the Induction Programme for the recently appointed Board Member will be implemented. The Corporate Services Manager will liaise directly with the new Board Member.

7. **SUB COMMITTEE MEMBERSHIP**

Regeneration: Anna Stuart; George Kelly; Teresa McGowan; Evelyn Ferguson; Jim Garrow; Debbie MacKenzie; Julie McNeil

Operations: Anna Stuart; George Kelly; Teresa McGowan; Evelyn Ferguson; Jim Garrow; Julie McNeil

Audit: George Kelly; Julie McNeil; Anna Stuart; Evelyn Ferguson; Jim Garrow

Staffing: Anna Stuart; George Kelly; Teresa McGowan; Jim Garrow; Evelyn Ferguson; Debbie MacKenzie

Health & Safety: Anna Stuart; Teresa McGowan

Membership of the above Sub-Committees were noted and unanimously approved by the Board.

Laura Edwards, Development Consultant; Lauren Little, TC Young Solicitors; Luise Siekman, Regulation Manager (Finance), SHR; Nigel Gregory, Regulation Analyst (Finance), SHR joined the meeting.

8. **CAF LOAN AGREEMENT**

Lauren Little, Solicitor, TC Young presented the above report previously circulated with the agenda.

The report was prepared by TC Young Solicitors and Lauren confirmed that TC Young had no issues with regards to the Terms and Conditions.

Page 3 – Loan Facility: to be drawn down within a 3 year period

Page 5 – Events of Default: These are consistent with social housing standards

Clause 32: Requested that this be looked at as this refers to subsidiaries and contractors.

Anna Stuart enquired as to why the security is sitting at £5.7m when we are borrowing £5m? Director of Finance & IT confirmed that the security must be at least 10% more than the loan as stipulated in the loan conditions.

George Kelly enquired if we anticipated borrowing the money within the 3 year period? Director of Finance & IT confirmed that we would and that this would be low risk. However this is dependent on good project management. However, the Board are also asked to note that the funding from the City Council is in place.

Teresa Salder enquired as to what interest rate does the Business Plan have? Director of Finance & IT confirmed that the Business Plan medium and long term currently has 5.8% through it.

It was reported to the meeting that the borrowing of the full amount of the Loan by Cassiltoun Housing Association Limited (“CHA”) would not breach the rules of CHA or any existing contractual or statutory obligations of CHA and that CHA is fully empowered to enter into the loan agreement with CAF bank and perform its obligations thereunder).

IT WAS RESOLVED that:

- (i) the borrowing of the loan is consistent with CHA’s borrowing strategy and that the Board of Management considers that entering into the agreement constituting the loan is in the best interests of CHA;
- (ii) the Loan be and is hereby approved in the terms presented to the Meeting or with such amendments as are agreed by Charlie Millar, Chief Executive and Gamal Haddou, Director of Finance;
- (iii) the Security Document be and is hereby approved in the terms presented to the Meeting or with such amendments as are agreed by Charlie Millar, Chief Executive and Gamal Haddou, Director of Finance; and
- (iv) the Officer’s Certificate be and is hereby approved in the form presented to the Meeting, or with such amendments as are agreed by Charlie Millar, Chief Executive and Gamal Haddou, Director of Finance.

IT WAS FURTHER RESOLVED that:

- (i) Charlie Millar (Chief Executive), Gamal Haddou (Director of Finance), Anna Stuart (Chair) George Kelly (Vice Chair) and Evelyn Ferguson (Secretary) be authorised to sign the Loan for and on behalf of CHA; and

- (ii) Charlie Millar (Chief Executive), Gamal Haddou (Director of Finance), Anna Stuart (Chair) George Kelly (Vice Chair) and Evelyn Ferguson (Secretary) be authorised to sign the Security Document; or
- (iii) Charlie Millar (Chief Executive), Gamal Haddou (Director of Finance), Anna Stuart (Chair) George Kelly (Vice Chair) and Evelyn Ferguson (Secretary) to give the required certificate of compliance on behalf of CHA.
- (iv) Charlie Millar (Chief Executive), Gamal Haddou (Director of Finance), Anna Stuart (Chair) George Kelly (Vice Chair) and Evelyn Ferguson (Secretary) are authorised to sign the drawdown request form authorising CAF Bank to release the loan funds.
- (v) Charlie Millar (Chief Executive), Gamal Haddou (Director of Finance), Anna Stuart (Chair) George Kelly (Vice Chair) and Evelyn Ferguson (Secretary) are authorised to give written instructions to CAF Bank Limited relating to the Loan and CAF Bank Limited is authorised to accept the signature of any two of them in respect of all matters pertaining to the Loan and the Security Document. Their full names and personal details are attached below.
- (vi) Charlie Millar (Chief Executive), Gamal Haddou (Director of Finance), Anna Stuart (Chair) George Kelly (Vice Chair) and Evelyn Ferguson (Secretary) are authorised and instructed to agree the final terms of the Loan and the Security Document, with such amendments as the relevant Authorised Signatory, in their absolute discretion approve, and any other document that they deem necessary in connection with any of the Security Documents (such approval to be conclusively evidenced by the execution of the relevant document in accordance with the resolution set out at paragraph 4 (i) or (ii) as appropriate)

9. **JLL REPORT CAF BANK – VALUATION REPORT**

Director of Finance & IT presented the Valuation Report produced by JLL (Jones Lang LaSalle). The Valuation Report is required by CAF Bank Limited to assist them in considering the suitability of housing stock currently comprising 233 General Needs Rented units, as Security for a mortgage advance secured by way of an existing legal charge over the interest valued in this Report.

JLL were given instructions to prepare a valuation, with suitable inspections, of 233 social rented units located within 5 cost centres in the Castlemilk area of Glasgow. They carried out internal inspections of a targeted sample of the stock amounting to between 5% and 10%, with the remainder of the stock inspected externally on an impressionistic basis. JLL were satisfied that, given the similarity of the stock, and the information provided to them by the Association, that this level of inspection is sufficient.

JLL's Valuation Summary is as follows:-

Valuation Summary

Scheme	No. of Units	Existing Use Value – Social Housing	Market Value subject to Tenancies
General Needs Rented			
Area G	94	£1,843,000	£3,140,000
Area H	58	£1,362,000	£1,740,000
Area I	48	£1,036,000	£1,500,000
Area J	17	£809,000	£977,000
Area O	16	£660,000	£906,000
TOTAL	233	£5,710,000	£8,263,000

George Kelly enquired as to who pays for the future valuation costs and if it's the Association have we allowed for this in the Business Plan? Director of Finance & IT confirmed that the Association pays for this and it is part of our many costs.

Teresa Sadler enquired as to how JLL came up with the valuation of £5,710,000. The Director of Finance & IT confirmed that they analyse our cashflows and the rent charged.

After discussion, the Board unanimously approved the JLL Valuation Report for purposes of the CAF Loan.

10. **CAF BANK LOAN SECURITY AND CONSENT**

Director of Finance & IT presented the above report previously circulated with the agenda.

As the Board are aware, CAF Bank are the lender that the Association will be using on the two developments at Barlia and Castlemilk Drive. As part of the process of obtaining the £5m loan, security must be given which exceeds the loan value by at least 10%. This was discussed in full at the Board workshop discussion on 30 July 2018.

The Board are aware that something similar is in place for both Nationwide and Barclays loans with the Barclays loan subject to a covenant condition on debt per unit being < £18,000. Negotiations are at an advanced stage with CAF and some specific definitions and loan terms are currently being fine-tuned and negotiated.

Approval is needed from the Scottish Housing Regulator in order to grant security over our housing stock to any party. This is referred to as disposals consent although the properties are not in any way changing ownership.

The valuation report over unsecured properties was completed in July 2018 and at the same time as this was happening the Director of Finance & IT was working with TC Young to remove old security on Clydesdale properties, clear up anomalies and analyse our 979 properties into title deed areas.

Following valuations per property, this then allowed 233 addresses to be bundled up for loan security purposes and a formal valuation report written for these and addressed to CAF bank.

This has been accepted with no adverse comments to date from CAF and allows for a small reduction in valuation in the future. This is important in case the valuation assumptions change and cause a drop from the £5.7 million provided. In addition a new valuation will be carried out around 2021 by which time a further 42 unsecured properties will have been built.

Debbie MacKenzie asked if the Strathclyde Pension Cessation Event would cause any difficulties to the Loan Agreement? Director of Finance & IT confirmed that it would be an issue in particular years, however the Association is working to get this cost excluded from the covenant calculations. If this is not done, we need to significantly curtail spend for that single year.

George Kelly enquired if changes to FRS102 would cause any difficulties in the future. Director of Finance & IT intimated that changes may cause difficulties with regards to covenants but not to the security.

The Board unanimously approved to apply for Specific Consent from the SHR to allow property security to be granted to CAF for the pending £5million loan facility.

11. **BARLIA 3 BUILDING CONTRACT**

Laura Edwards, Development Consultant presented the above report previously circulated with the agenda.

The Board have been kept apprised of progress with the Barlia 3 project through regular update reports. The Board previously approved Crudens as 'preferred contractor' following a procurement exercise. A submission was made in May 2018 to Glasgow City Council for grant funding under the Affordable Housing Programme to assist with the delivery of the Barlia 3 project. 4.1 The Council have approved our tender submission and made us a written offer of grant for the sum of £3,600,912 in line with the request that we made to them.

Various conditions are attached to the offer of grant. Laura Edwards summarised the conditions and further outlined that they are standard and pose no concern.

Laura Edwards informed the Board that before accepting the offer of grant and entering into a building contract with Crudens, the following should be taken into consideration:-

1. The Deed of Servitude to allow us to form the foul drainage connection in the adjacent park is not yet in place. TC Young agreed the wording with GCC for the Deed in April 2018 but were not able to progress this until the last tranche of land was purchased, as the servitude needs to be linked to the whole of our land at Site A to ensure the whole of our land benefits from the servitude rights. As the last tranche of land settled on 2nd August 2018, TC Young are now liaising again with the Council to formalise the paperwork. Anna Stuart asked Laura Edwards to explain for new board members what the term "Deed of Servitude" meant. Laura confirmed that a servitude gives the Association rights over a property belonging to someone else. Common examples of servitudes include
 - right of access to property
 - right of drainage and/or sewage
 - right to draw water from a private water supply

Anna Stuart enquired as to what would happen if there was a significant delay in getting the Deed of Servitude in place? Laura Edwards confirmed that the contractor could claim from us for loss of not being able to progress.

2. The Building Warrants in place are Stage 1 warrants- which give approval only for the sub-structure of the building. The Stage 2 warrant will be applied for once the contractor has designs agreed for the timber kit with their kit manufacturer. This has been highlighted to the Board from an early stage in the scheme risk assessment but is reiterated again at this stage for clarity.

The summary of scheme costs are as follows:

Acquisition	£ 243,932
Works	£5,790,276
Fees	£ 529,445
Other costs	£ 278,845
Total	£6,842,498

This will be met with income as follows:

Grant	£3,600,912
CHA own resources	£ 741,586
Private loan	£2,500,000
Total	£6,842,498

In terms of Key Risks, to accept the offer of grant and enter into a building contract, the risk is that we are unable to meet the terms of the contract or the offer of grant. The Deed of Servitude which is not yet in place, however this is in hand and we do not foresee any issues in securing it within a reasonable timescale. Further, the Stage 2 Building Warrants cannot be secured until the contractor is on board and the timber kit designs have been submitted to the Council. Again, we are working with an experienced social housing contractor and no problems are foreseen in securing these approvals within the required timescale. We are in a strong position to deliver. We have the funding in place, a professional team working on the project and closely monitoring the above two outstanding items, statutory approvals confirmed and robust reporting methods in place.

After discussion and on the information provided in the report, the Board unanimously approved to delegate authority to the Chief Executive to

- (a) accept the offer of grant received from GCC amounting to £3,600,912***
- (b) enter into a building contract with Crudens Building and Renewal for the sum of £5,790,276 for the development of 42 units at the Barlia 3 project.***

9.05 pm: Lauren Little, Solicitor, TC Young left the meeting

12. MANAGEMENT ACCOUNTS – JUNE 2018

Director of Finance & IT presented the above report previously circulated with the agenda via a powerpoint presentation.

This was the second set of accounts so far this year and covers 3 months, April – June 2018.

There was an actual deficit of £136k which was a little better than the budgeted deficit of £150k. We have £36k lower management costs, some temporarily and others likely for the whole year. The deficit arises as before

- i) insurance is paid for whole year,
- ii) costs are 3 months but rental income is only 10½ wks (i.e. not 13 wks = 3 months)

Our bank balance nudged up £11k over the 3 months. Some renewable repairs of c£10k are awaited but these will now be included for July. The factoring cost centre previously had a temporary £12k loss, this is now just £5k due to the quarterly billing being done.

Arrears are currently flat from the start of the year which is good but did change upwards from May as expected and mentioned last month. No major repairs spend other than a minor retention.

Covenant ratios – all met.

KPIs – green apart from suppliers paid on time. Target is 22 days. However we are sitting at an average of 23 days. This is due to slow authorisation or longer queries on a few invoices.

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The Board approved the Management Accounts for June 2018 on the motion of Teresa Sadler and seconded by Evelyn Ferguson.

13. CORRESPONDENCE

SHARE Training Bulletins: Available from the Corporate Services Department

Thank you letter from Chief Executive Officer of Ardenglen HA: Letter of thanks for staff organising a staff team building event in Castlemilk Park.

14. APPLICATIONS FOR MEMBERSHIP

The Board considered 4 membership applications as outlined by the Corporate Services Manager.

The Board noted the eligibility of the applications had been checked.

The Board approved the membership application on the motion of Jim Garrow and seconded by Evelyn Ferguson.

The Board noted and unanimously approved for the members to be added to the Share Membership Register and that Share Certificates would be issued.

15. **USE OF SEAL**

The use of seal was used on 2 occasions.

16. **ENTITLEMENTS, PAYMENT AND BENEFITS**

None

17. **HEALTH & SAFETY/HWL**

H&S: No issues to report. Next H&S Committee meeting scheduled to take place on 20th August 2018.

HWL: Ongoing work to meet the criteria to sustain the Gold Award.

18. **A.O.C.B**

Notifiable Event: Chief Executive Officer informed the Board that City Property Glasgow have confirmed that they would sell the land at Machrie Road/Barlia Drive to the Association at a cost of £2k (exclusive of tax). This concludes the Notifiable Event to the SHR.

19. **DATE OF NEXT MEETING**

Monday 17th September 2018 at 6.00 pm

There being no further business the meeting concluded at 9.20 pm

Signature:
Chair of Board of Management

Date: