

**Meeting:** Minutes of Special Board Meeting.

**Meeting Date:** 26 October 2022

**Time:** 5.30pm

**Location:** Virtual via MS Teams

**Discussion**

**Meeting Opening**

**1. Welcome & Apologies**

Present		Staff	
Liz McKenzie	Chair	David Byfield	Chief Executive (CEO)
Mark Ingram	Vice-Chair		Company Secretary (CS)
Alex Warren	Board Member	Peter Kelly	Director of Asset Management (DAM)
Richard Mahon	Board Member	Michelle Hart	Finance & Corporate Manager
Ann Marie Docherty	Board Member	Lindsay Gemmill	Interim Director of Operations
Maureen Cope	Board Member		
John Duncan	Board Member		
Apologies		Leave of Absence	
Karen McDonagh	Board Member	Sharon Richford	Board Member
		Mary Eardley	Board Member

**2. Declaration of Interest**

None.

**3. Declaration of Receipt and Understanding**

PowerPoint presentation provided on the night by Paul McNeill.

**Items requiring a discussion/ approval**

**4. Presentation by HRC Consultants 'Difficult times & difficult choices'**

The Chair welcomed Paul McNeill to the meeting.

Prior to commencing the CEO advised Board that tonight was a continuation of the dialogue in relation to the Association's approach to revising it's financial plans and assumptions in the wake of the global financial crisis and that Paul's presentation is designed to provide good quality advice and information to inform decision making.

Paul McNeil presented to Board highlighting the following:-

- Overview of AHA current financial position (SoCI and SoFP) which indicates a position of financial strength with no concerns of viability
- Provided contextual information on the current economic operating environment
- Provided an overview of the Scottish Housing Regulator narrative on the challenges facing sector particularly around the forthcoming annual rent setting exercise and the potential intervention from the Scottish Government in relation to rent setting
- Highlighted the importance of Ardenglen's ongoing dialogue with lenders in relation to any revisions to our business plan
- Gave examples of the cost of borrowing increasing due to rising interest rates
- Insight into the rent caps applied in England and Wales
- Demonstrated inflation (CPI) reaching a 40 year high in September and showed inflation (CPI) over the last decade
- Demonstrated the impact of inflation on the cost of living
- Highlighted the importance of the need to notify (lenders and SHR) of any Material Adverse Effect from revising financial plans immediately upon becoming aware
- Demonstrated the uplift in component replacement cost through the results of a recent survey conducted with members of GWSF which shows significant increase in the likes of kitchens, bathrooms and rewires
- Due to the increase in component replacements the cost per unit in relation to investment has increased if realising current market rates which are inflated at present
- Highlighted the key business plan assumptions including rent increases, bad debt and arrears, inflation, cyclical, planned and reactive maintenance costs, salary costs etc
- Covered Regulatory Standard 4 whereby the governing body bases its decisions on good quality information and advice and identifies and mitigates risk to the organisations purpose.
- Outlined the options for mitigation available Housing Associations which include scaling back on investment plans, carrying out further review of the Association's operating costs to identify potential savings, review vacant posts rather than going straight to recruitment etc.
- The presentation was then opened up for questions.

Paul McNeill added that it was difficult to predict inflation in the next 12/24 months with the Bank of England predicting approx. 13% next year then potentially decreasing to 9% the following year then 2% thereafter.

AMD highlighted the risk presented by potential for arrears to increase therefore this should be factored into revised scenario planning. Consideration also needs to be given into the impact of not replacing components if scaling back on investment.

PK advised that we are now at circa 60% of units having been surveyed in the last 18 months via our stock condition survey prog and the data will be used to model investment need.

AW asked if we could look at a scenario whereby, we seek to diversify income streams through alternative means of investment or becoming a partner in service contracts aligned to the needs of the community.

	<p>PMcN advised that nothing is off the table however it may take time to deliver new ventures, so Ardenglen need to look at revising strategic direction for the next 12-18 months.</p> <p>AMD asked what the Scottish Housing Regulators thoughts where on the challenges facing sector.</p> <p>PMcN reiterated the content in the presentation whereby RSLs are being advised to revise Business Plans and Financial Projections and maintain dialogue with lenders.</p> <p>MC asked if there is any potential risk with regards to breaching lender covenants?</p> <p>CEO advised that the Association is in a position of financial strength and early modelling shows that Ardenglen will maintain covenant compliance therefore no risk of breach occurring but that dialogue with lenders has commenced and there are no concerns from lender perspective.</p> <p>CEO highlighted that should the Association take the decision to scale back on investment it would not be to the detriment of tenant health and safety or legislative compliance, the Association would continue to maintain safe living environments for tenants.</p> <p>CEO advised that Paul McNeill will present a paper to the December Board meeting which will provide analysis on the Association’s finances and outline scenarios for Board consideration</p> <p><b>The Board thanked Paul McNeill for his time</b></p> <p>Chair asked if there were any more questions or contributions before moving to close the meeting.</p>
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<b>Meeting Closure</b>	
------------------------	--

<b>5.</b>	<p><b>Notifiable Events</b> None.</p>
<b>6.</b>	<p><b>Health &amp; Safety</b> None.</p>
<b>7.</b>	<p><b>Correspondence</b>  None.</p>
<b>Meeting Closure</b>	
<b>8.</b>	<p><b>Use of Delegated Authority</b> None.</p>
<b>9.</b>	<p><b>A.O.C.B</b> None</p>
<b>10.</b>	<p><b>Summary of actions/ decisions at this meeting</b></p> <ul style="list-style-type: none"> <li>• The Board noted the content of the presentation</li> </ul>

<b>11.</b>	<b>Meeting Evaluation</b> The Board advised it was an informative meeting.
<b>12.</b>	<b>Date and time of next meeting – 6 December 2022 at 5.30pm on MS Teams.</b>
<b>13.</b>	<b>Meeting Close</b> The meeting closed at 19:20 with a vote of thanks to the Chair.