

Board Meeting Minutes

Minutes of a meeting held at 3.30pm on **Thursday 24 March 2022** via Microsoft Teams

- Present** Gary Devlin (Chair), Ashley Campbell, Fraser Mitchell, Geoff Palmer, Jo Roger, James Rowney, Cathie Wyllie
- In attendance** Angela Currie (Chief Executive), Donna Henderson (Director of Strategic Finance), Chris Milburn (Director of Customer Services), Joanna Voisey (Director of Asset Management), Wendy Russell (Head of Governance & Transformation), Clare Dodd (Head of Asset Management)
- Apologies** Adele Erwin, Julia Fitzpatrick, Louise Reid, Rob Rowe, Alan Stewart, Margaret Whoriskey

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- 1. Introduction & Apologies**
- The Chair welcomed Board Members to the meeting. All Members were happy for the meeting to be recorded. Apologies were accepted from Adele Erwin, Julia Fitzpatrick, Louise Reid, Rob Rowe, Alan Stewart and Margaret Whoriskey.
- The Chair also welcomed Clare Dodd, Head of Asset Management, who was attending the meeting as an observer.
- 2. Declarations of Interest**
- Jo Roger declared an interest in item 8.1 Governance Matters - as she had been supporting one of the cases on Voluntary Severance Pay.
- 3. Minutes**
- 3.1 Board Minutes (BRD7 Jan22)**
- Decision** The Minutes were agreed and **approved** as a correct record and signed by the Chair following the meeting.
- 3.2 Audit, Performance & Risk Committee (AUD5 Feb22)**
- This had been the first meeting of the new format and the role of the Committee had been discussed.
- Members discussed whether cyber security should be discussed at Board level or addressed as a risk by the APR Committee. Members recognised the importance of this subject and noted that the APR Committee would monitor this and escalate to the Board if it was felt that this should be looked at a strategic level.
- Decision** The Minutes were **noted**.
- 4. Matters Arising**
- Discussion** Members were updated on how the decanting of the residents at Victoria Court, Fort William had progressed. Residents were being kept updated on the work as it was progressing.

	<p>The Chair did not wish to lose sight of actions and asked that the Executive Leadership Team (“ELT”) gave some thought on how to ensure the Board were updated on the relevant actions from previous Minutes.</p>	WR
	<p>Members were updated on the progress with the pay award. There had been discussions with the GMB and the offer should have gone out to ballot, but no confirmation on whether this had happened had been received. If there was no response by the end of the month, then a deadline for a response would be issued to the GMB. The ELT would keep the Board updated.</p>	AJC
5.	Strategy and Business Plan 2022-2027	
5.1	New Strategy 2022-27	
Report Summary	<p>This report provided the Board with the updated version of Hanover’s new Strategy covering the next five years, following a comprehensive review of the longer-term vision over the past 12 months.</p> <p>The Strategy document was supported by the Business Plan, set out in agenda item 5.2 which provided the financial framework for the delivery of the strategic objectives.</p>	
Discussion	<p>The draft strategy document, in hopefully the final format, had been shared with the Board. The document had deliberately been kept high level. The values had been refreshed and were included in the report. The risk appetite assessment, which was also included, was an interesting read and fitted well with the strategy and business plan.</p> <p>Members felt this was now a much more cohesive document. It was suggested that an accessible, easy-to-read, document be produced for employees and customers, and that softer wording be used in one section. The Strategy Development Working Group would look at the roll out programme and an easy-to-read version, which would make it interesting and fun. This would be shared with the Board.</p> <p>The Board would be interested to see a performance management framework devised around the strategy which would show that the improvement looked for was being achieved. A template for the strategic performance indicators would be brought to the June strategy day.</p> <p>The Board felt that the risk appetite assessment accurately reflected the survey and discussion. There was a discussion around the wording on reputational risk, and this would be considered by the ELT.</p>	WR AJC
Decision	<p>The Board:</p> <ul style="list-style-type: none"> • Noted the work undertaken to develop Hanover’s refreshed set of values and the outputs • Reviewed and approved the Board’s risk appetite statement on the recommendation of the Audit, Performance & Risk Committee • Considered and approved the Strategy document and the implementation plans set out in the paper <p><i>Fraser Mitchell gave his apologies for the remainder of the meeting.</i></p>	ELT
5.2	Business Plan 2022-23	
Report Summary	<p>This report provided the Board with details on the Business Plan which incorporated Hanover’s 5 year & 30-year financial plans that supported the new Strategy.</p>	

The 5 year and 30-year plans were updated following the setting of the budget for the current financial year and included sensitivity testing of a number of scenarios that might occur and would have a significant impact on Hanover's finances.

Discussion

The Board questioned the assumptions that were being made in terms of interest rates and macro-economic scenarios such as fuel, supply chains etc. The Board would prefer a more cautious approach, especially with the forecast for higher inflation figures. It was acknowledged that the changes were fast-moving.

The majority of the assumptions around fuel costs would be felt through service charges. There would be a six-month period in the year where costs would rise, but the majority would be the next year when the full effect of the energy increases would be felt.

The Board discussed cost of living increases and recognised the pressures that Hanover's workforce would be facing.

It was acknowledged that inflationary increases would normally be factored into rent increases, however, there was also concern around affordability. If CPI was increased in the plan, then the consequence would be a rent increase. Members were cautious around large rent increases as Hanover's residents would also be affected by increased cost of living.

It was agreed that the inflationary increases were likely to be around for at least the next year. The most up-to-date Bank of England forecast suggested 3.5% for next year, and then between 2-3% for the following years. It was agreed that these were reasonable assumptions to follow.

The budget had been agreed for 2022-23. The Board discussed whether this needed to be updated to reflect the changing costs, but it was noted that there was some scope in the budget to cope with the inflationary increases.

The Board agreed that the current approach in using the Bank of England forecast was the most obvious to follow for inflationary increases. The Director of Strategic Finance was asked to prepare some further stress test scenarios on that basis. This would be emailed to the Board, and if there was anything significant to consider, it would be discussed at the next meeting.

DH

Decision

The Board:

- **Approved** the Business Plan for 2022/23 including the updated key assumptions
- **Approved** minor amendments to the Budget approved in January 2022
- **Considered and discussed** the 30-year Projections contained in Appendix 2 and saved in the Board Cloud site
- **Considered** the range of scenarios contained in the sensitivity analysis and **noted** the potential impact of these

5.3

Arklet Partnership Committee Review

Report Summary

This report set out the findings of a review of the Arklet Partnership Committee's role, considered the progress and achievements made to date and contained a recommendation on how to proceed. The review had been scrutinised by the Committee and their recommendation was contained in the report.

Discussion	<p>The Chair also chaired this Committee and confirmed this had been signed off by the Partnership Committee as it was clear that Hanover had fulfilled its obligations under the terms of the agreement.</p> <p>The Chair had extended an offer to members of the Partnership Committee to join the Hanover Board, and this would be reiterated.</p>
Decision	<p>The Board:</p> <ul style="list-style-type: none">• Noted the findings of the review and• Approved the dissolution of the Partnership Committee
6.	Strategic Finance
6.1	Financial Control Framework - Financial Planning
Report Summary	<p>The Financial Control Framework (“FCF”) was approved in January and the draft Financial Planning document was the first of the seven Regulation Documents that together formed Hanover’s Financial Regulations.</p>
Discussion	<p>The Board agreed that the report was comprehensive and had no questions to raise.</p>
Decision	<p>The Board:</p> <ul style="list-style-type: none">• Considered, commented and approved the Draft Financial Planning document and note the next steps for implementation
6.2	Service Charge Summary & Write Offs 2021-22
Report Summary	<p>This report provided the Board with a summary of key impacts on service charges for 2022/23. It summarised the transition plan for service charges at the former Arklet scatter properties and provided an update on the Service Charge to Rents transition plan. It also proposed write-offs relating to unrecoverable deficit balances and excessive service charge voids.</p>
Discussion	<p>The Board discussed the plan to write-off the service charges. The budgeted rental voids figure had been 5%. Within service charges this was around 2.5-3% however it had been more than that due to the level of empty properties. The proposal was to write this off as the residents’ contributions towards service charges on some developments was not enough to cover the communal costs. Before service equalisation was introduced, these costs would have been absorbed in the bottom line but now Board approval was sought to write these off.</p> <p>There were some developments where there was a surplus, and this was mainly built up to allow replacement of communal assets. Some of the funds had not been spent due to the pandemic but plans were now being put in place to rectify this.</p>
Decision	<p>The Board:</p> <ul style="list-style-type: none">• Reviewed and commented on the<ul style="list-style-type: none">- Plans in sections 1-4- 2022/23 plans for the Service Charge Working Group• Approved the proposed<ul style="list-style-type: none">- Write-off of two Service Equalisation deficit balances in section 5

- Plan and write-offs relating to excessive Service Charge voids in section 6

7. Assets & Development

7.1 Development & Assets Update

Report Summary

This report provided the Board with an update on:

- Current development activity (to the end of February)
- An overview of the management of the programme with any impact on the business.
- The ongoing impact on the reactive and planned programme of cost increases
- The recent sales of scatter flats and former Development Manager properties within the factored stock
- The prospective sale of land at Stewarton and a Development Manager's flat at Roseburn Court (Edinburgh)

Discussion

The Board discussed the contractor that was claiming additional costs, and noted that this was being defended, however, questioned if there was a provision for such instances in the accounts. This would need to be discussed with the auditors, but it was felt that they would want this to be a likely scenario before they would allow such costs to be accrued. It was expected that this would be resolved in the final account.

The Board noted the sale of the small piece of land. This was currently used for fly tipping and therefore there was a benefit to Hanover to dispose of this and have the land used properly. An independent valuation on the land would be sought and this is what would be asked in the sale to ensure fair value.

Decision

The Board:

- **Reviewed and commented** on the:
 - Current development activity
 - Updates provided on the planned and reactive programmes specifically in relation to cost increases
 - Disposals of property made in the last year
- **Approved** the sale of:
 - Land at Stewarton
 - Roseburn Court (Edinburgh) Manager's Flat

7.2 Property Disposals

Report Summary

This report provided the Board with an update on and sought formal approval to the sale of:

- A former Arklet scatter flat at Deanston Drive, Shawlands, Glasgow
- A former Development Manager flat within the factored stock at Rose Park, Peebles

Discussion

Due to value (above £120k), these sales would be notifiable to the Scottish Housing Regulator. The Board agreed that the report had covered any questions and that this appeared straightforward.

Decision	<p>The Board:</p> <ul style="list-style-type: none"> • Homologated the decision to approve the sale of the Deanston Drive property • Approved the sale of the flat in Rose Park, Peebles
7.3	Planned Maintenance Programme
Report Summary	<p>This report set out the detail of the Planned and Cyclical Programme approved as part of the Budget 2022/23 paper in January 2022 by the Board. This provided the Board with a fuller picture of the level of activity and the impact of the investment in Hanover's homes.</p> <p><i>Jo Roger gave her apologies for the remainder of the meeting.</i></p>
Discussion	<p>The Board asked if Hanover was able to utilise grants, for example there were individual grants for replacing boilers, but the Board wondered if Hanover could link into this. Hanover had recently partnered with Union Technical Services ("UTS") who were reviewing cavity wall insulation, in particular in electric heated properties. They removed cavity wall insulation that was failing and replaced with new, at no cost to Hanover. A report would be prepared for the Board with an update on this.</p> <p>There were also funds becoming available through ECO4 Stream, and UTS were assisting with this application. This would help in re-modelling. Upgrades at Sunnyside Court, Edinburgh and New Scone were planned and had been budgeted, but grants would be used to maximise.</p> <p>The Board drew particular attention towards green initiatives and digitalisation and asked the ELT to be aware of these and access funding if possible. The ELT confirmed that often funding was provided to a specific project and at short notice, and, to date, it had been digitalisation projects that had benefited.</p> <p>The Board noted the replacement of gas boilers and questioned if this was an appropriate time to be doing so when the cost of gas was high. The alternative to gas heating was still being evaluated and the ELT had had an interesting discussion with the Head of Sustainability at Link Housing on how they were addressing this.</p> <p>The Board asked for more context around the numbers in future reports. A stock condition survey would be carried out in 2022-23 and this would provide the information required to provide the Board with more clarity.</p> <p>In response to a Member question on voids and their viability, it was explained to the Board that a strategic voids review on six developments had been undertaken recently. There had been a presentation to the Voids Group, and it was work in progress to determine if particular properties were unviable. The ELT confirmed that the Board would be kept updated with progress.</p>
Decision	<p>The Board:</p> <ul style="list-style-type: none"> • Considered and commented on the report

JV

8.	Governance	WR
8.1	Governance Matters	
Report Summary	The Governance Matters paper set out updates and decisions required on various governance topics now and for the year ahead.	
Discussion	<p>The Board had discussed the possibility of hosting the June strategy day at an hotel on the outskirts of Edinburgh but had ultimately reached the decision that this should be hosted in-house.</p> <p>In respect of the Gender Pay Gap Report, Board Members struggled to know if men and women carrying out the same roles were paid the same, and it was confirmed that this was the case. The care sector tended to be staffed by women and therefore a large majority of Hanover staff were women (85%). Pro rata this meant that in the lower paid jobs there were far more women employed than men.</p> <p>The Board asked if there was anything that should or could be done differently. Members were reassured to know that there was no gender pay gap in Hanover as the pay framework was equal regardless of gender, age etc. The pay framework was due to be reviewed but the approach would remain equitable.</p> <p>The Voluntary Severance Payments had been discussed between the Chair and the Chief Executive at length, and other Members had been involved.</p> <p>There was a discussion around the crisis in Ukraine and the sanctions against Russia. There were a lot of Russian owned business that Hanover could be contracted with, for example Gazprom. The ELT confirmed there were no issues around the supply chain, but Hanover did have an energy contract with Gazprom. The consultant had been keeping Hanover updated but Gazprom was a British registered company, as was their parent company, and the Russian element was further removed. It was thought that Gazprom might go into receivership and correspondence had been received on what the arrangements would be if this was to happen. If this had to be re-tendered then there would be an energy price increase.</p> <p>As part of the Scottish Government's super sponsorship scheme, Hanover had been contacted by South Lanarkshire Council and asked to identify properties that could be used by Ukrainian refugees. It was expected that other local authorities would follow. There were also lots of local initiatives to help the Ukrainian people, including residents in Inverness who had donated warm clothing and blankets to a local distribution centre. It was suggested that a proactive approach could be taken, and Hanover could contact local authorities offering to assist if it was able to do so.</p> <p>The Board asked if there were any Russian or Ukrainian employees, as they were concerned they might have wellbeing issues. The ELT were not aware of any, and this had not been raised, however, this would be checked.</p>	
Decision	<p>The Board:</p> <ul style="list-style-type: none"> • Noted each of the relevant sections and: • Considered and commented on: <ul style="list-style-type: none"> - The plans for the Board Appraisal Process 2022 - The proposal for no Board L&D session in May 2022 	CM
		WR

- The three Voluntary Severance Payments being made and the requirement for these to be raised as Notifiable Events with SHR
- Plans for the Board Strategy Day on 23 June 2022
- **Approved:**
 - The draft Modern Slavery Statement for 2022-23
 - The draft Gender Pay Gap Report for 2021-22
 - The proposal to revert back to the original agreement for the Factoring Trustees and appoint the Chair, Company Secretary and Strategic Finance Director as Trustees

8.2 Health, Safety & Wellbeing - COVID Update

Report Summary

This report provided an update on Hanover's ongoing COVID-19 response.

Discussion

The situation had changed slightly since the report was written. There were currently 77 COVID cases, 20 staff and 57 residents. Fortunately, there were very few instances of serious health complaints but sadly, earlier in March, there had been one further death of a resident who had been in hospital.

An announcement from the Scottish Government on restrictions was expected early in April. In light of its client group, Hanover proposed retaining mask wearing, one metre social distancing and self-testing until 29 April 2022, when this would be re-assessed. There was sufficient stock of PPE and tests to allow for this.

The Board expressed concern for both staff and residents. It was noted that this could be particularly challenging for staff as they would have to deal with residents who were ill and perhaps staff shortage through illness. The ELT agreed that there had been some difficult times, particularly in Moray where there had been an outbreak, but staff had worked very hard to ensure services were covered.

The Board were reassured to hear that all services had maintained operations throughout the period. It was acknowledged that this had been a difficult time and the Board asked that their sincere appreciation be communicated to all staff and their condolences to the resident's family.

WR/
CM

Decision

The Board:

- **Noted and commented** on this report

9. Any Other Competent Business

No matters were raised.

Chairperson: Gary Devlin

Date: 26 May 2022