

**MINUTES OF JOINT RESOURCE AND GOVERNANCE COMMITTEE**  
**6 FEBRUARY 2019 10:00**  
**AT OH OFFICE, 22 ABERCROMBIE COURT, WESTHILL**

**Present:** Rab Hepburn, Director OH and Member OHM CoM (RH)  
Mike Scott, Director OH and Member OHM CoM (MS) Substitute for L Allan  
Stuart Robertson, Director OH (SR)  
Douglas Bodie, Director OH (DB)  
Bill Chapman, Director OH and Member OHM CoM (BC)

**Apologies:** Leslie Allan, Member OHM CoM (LA)  
Glenn Adcook, Chief Executive, OH Group (CEO)

**Attending:** Gary Walker, Chief Finance Officer OH Group (CFO)  
Clare Ruxton, Corporate Services Manager OH Group (CSM)  
Stacy Angus, Housing Services Manager OH Group (HSM)  
Sofia Redford, Corporate Services Officer OH Group (CSO) (Minutes)  
Keith Robertshaw, CS Apprentice OH Group (CSA)

<b>Item No</b>	<b>Subject</b>	<b>Action</b>
<b>1.</b>	<b>ADMINISTRATION</b>	
<b>1.1</b>	Apologies noted above.	<b>Chair</b>
<b>Joint</b>		
<b>1.2</b>	<b>Declarations of Interest</b>	<b>Chair</b>
<b>Joint</b>	There were no changes to the standard declarations of interest.	
<b>1.3</b>	<b>Minutes of Meeting held 7 November 2018</b>  The Committee reviewed the Minute of the meeting held on 7 November 2018.  <b>The Committee unanimously agreed the Minute to be a correct record of the meeting and it was duly signed by the chair.</b>	<b>Chair</b>
<b>1.4</b>	<b>Matters Arising</b>  <b>2.2.7 – There had been a soft launch of the mobile App via the tenant’s Newsletter. Development is continuing and no issues reported to date.</b>	<b>Chair</b>

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<b>1.5</b>	<b>Minutes of Meeting held 28 November 2018</b>	<b>Chair</b>
<b>Joint</b>	<p>The Committee reviewed the Minute of the meeting held on 28 November 2018.</p> <p><b>The Committee unanimously agreed the Minute to be a correct record of the meeting and it was duly signed by the chair.</b></p>	
<b>1.6</b>	<b>Matters Arising</b>	<b>Chair</b>
	<b>There was none that was not covered by items on the agenda.</b>	
<b>2</b>	<b>ITEMS FOR DECISION</b>	
<b>2.1</b>	<b>PERFORMANCE</b>	
<b>2.1.1</b>	<p><b>Hopeman Site – Proposal for Disposal</b></p> <p>The CFO presented a report, prepared by the LSM, to advise the Committee of the current progress with the disposal of land owned at Hopeman, Moray.</p> <p>The site has been for sale on the open market since late August with an asking price of £60K. However, there has been little interest to date.</p> <p>The site had been purchased some years ago (previous management) with the intention of providing a nursery but this had not come to fruition. No financially viable option for the development of the site has been possible and OHM currently spend £430 annually on upkeep. The site is currently held on the balance sheet at £52K.</p> <p>Having fully debated the issues</p> <p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li><b>i. Agreed to recommend to the OHM CoM to instruct the agent to approach local developers to enquire if there is any interest to buy the plot and if so to negotiate the best price achievable. Final sale price to be approved by OHM CoM.</b></li> <li><b>ii. In the event that the plot does not sell, it should be put up for auction with no reserve price.</b></li> </ul>	<b>LSM / CFO</b>

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<b>2.2</b>	<b>STRATEGY / POLICY</b>	
<b>2.2.1</b>	<p><b>Final Draft Budget Proposals 2019/20 – OIL</b></p> <p>The CFO presented the final Osprey Initiatives Limited draft budget for the year ending 31 March 2020 which has been based on the following assumptions</p> <ul style="list-style-type: none"> <li>• Rental income includes the extension of a rent freeze for a further year.</li> <li>• Factoring income assumes that the 54 NHT units are retained under management for the full financial year and 50 additional units are managed on behalf of Northern Housing Company Ltd (NHCL)</li> <li>• Void Rent Loss has been set at 3.5%</li> <li>• Bad Debts have been assumed at 1.0% of gross rental income.</li> <li>• Reactive Maintenance takes into account that most units will be out of their defect liability period.</li> <li>• Cyclical Maintenance relates to annual servicing of heating systems, electrical inspections and PA testing of appliances.</li> </ul> <p><b>The Committee fully considered the contents of the report and unanimously recommended the approval of the proposed budget to both the Board of OIL and the Board of OH.</b></p>	<b>CFO</b>
<b>2.2.2</b>	<p><b>Final Draft Budget Proposals 2019/20 – OHM</b></p> <p>The CFO presented the final Osprey Housing Moray draft budget for the year ending 31 March 2020.</p> <ul style="list-style-type: none"> <li>• Income forecasts are based on a rent increase of 2.1% (CPI only – Dec 2018).</li> <li>• Service Charges are based on anticipated costs for the year ahead.</li> </ul>	<b>CFO</b>

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	<ul style="list-style-type: none"> <li>• Void Rent Loss has been set at 0.5% (Reduced from 0.6% in 2018/19).</li> <li>• Bad Debts have been assumed at 1.5% of gross rental income (Reduced from 2.0% in 2018/19).</li> <li>• Void Maintenance - Provision has been based on the assumption of 45 void properties per annum at a cost of £1,525.</li> <li>• Planned/Cyclical Maintenance - This relates to external painterwork programme and annual servicing of heating and electrical systems as well as items identified under the Life Cycle Costing (LCC) Report.</li> <li>• Staff Salaries include the known outcomes of the recent job evaluation exercise along with an annual cost of living increase of 2.1%.</li> <li>• Insurance includes a modest to take account of the limited increase in the number of units in ownership.</li> <li>• Professional Fees – This has been adjusted for known items of expenditure, including anticipated legal costs in providing additional security in relation to planned draw downs from the RCF as result of ongoing development activity.</li> <li>• The forecasts have been prepared to ensure that loan covenant compliance has been achieved and that forecast cash requirements are met from within OHM.</li> <li>• The anticipated surplus is expected to be £677,613 with expected year end cash balances of £2,040,623.</li> </ul> <p><b>The Committee fully considered the contents of the report and unanimously agreed to recommend the approval of the proposed budget to both the Committee of Management of OHM and the Board of OH.</b></p>	

Item No	Subject	Action
2.2.3	<p data-bbox="331 405 1034 443"><b>Final Draft Budget Proposals 2019/20 – OH</b></p> <p data-bbox="331 481 1254 557">The CFO presented the final Osprey Housing draft budget for the year ending 31 March 2020.</p> <ul data-bbox="379 595 1254 1944" style="list-style-type: none"> <li data-bbox="379 595 1254 672">• Income forecasts are based on a rent increase of 2.1% (CPI only – Dec 2018).</li> <li data-bbox="379 710 1254 786">• Service Charges are based on anticipated costs for the year ahead.</li> <li data-bbox="379 824 1254 900">• Void Rent Loss has been set at 0.5% (Reduced from 0.6% in 2018/19).</li> <li data-bbox="379 938 1254 1014">• Bad Debts have been assumed at 1.5% of gross rental income (Reduced from 2.0% in 2018/19).</li> <li data-bbox="379 1052 1254 1173">• Void Maintenance - Provision has been based on the assumption of 100 void properties per annum at a cost of £1,525.</li> <li data-bbox="379 1211 1254 1364">• Planned/Cyclical Maintenance - This relates to external painterwork programme and annual servicing of heating and electrical systems as well as items identified under the Life Cycle Costing (LCC) Report.</li> <li data-bbox="379 1402 1254 1523">• Staff Salaries include the outcomes of the recent job evaluation exercise along with an annual cost of living increase of 2.1%.</li> <li data-bbox="379 1561 1254 1637">• Insurance includes a modest to take account of the limited increase in the number of units in ownership.</li> <li data-bbox="379 1675 1254 1796">• Professional Fees – This has been adjusted for known items of expenditure, including anticipated consultancy and legal costs in re-financing the RCF.</li> <li data-bbox="379 1834 1254 1944">• The forecasts have been prepared to ensure that loan covenant compliance has been achieved and that forecast cash requirements are met from within OH.</li> </ul>	CFO



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	<ul style="list-style-type: none"> <li>The anticipated surplus is expected to be £1,118,328 with expected year end cash balances of £4,464,338.</li> </ul> <p><b>The Committee fully considered the contents of the report and unanimously agreed to recommend the approval of the proposed budget to the Board of OH.</b></p>	
2.2.4	<p><b>Lossiemouth Office Update</b></p> <p>The CFO presented a report on behalf of the CEO updating the Committee on the progress being made with regard to the potential disposal of the Lossiemouth office site.</p> <p>The Committee noted that following a disappointing valuation of the office as a potential development site, the SMT is recommending that this should not proceed at this time. There is considerable future MOD activity planned for the area so it is possible that land/property values will well increase over the next few years.</p> <p>As a consequence, the planned relocation of the Moray office to Elgin will also be put on hold.</p> <p>Advice is currently being sought to establish whether planning permission can still be obtained at a reasonable cost.</p> <p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li>i. <b>Noted the report</b></li> <li>ii. <b>Agreed with the recommendation not proceed with the disposal at this time.</b></li> <li>iii. <b>Agreed that the issue should be kept under review and re-visited if land values improved.</b></li> </ul>	CEO
2.2.5	<p><b>Development Programme Update Including:</b></p> <ul style="list-style-type: none"> <li>- <b>Update on former Deveron Homes Projects</b></li> <li>- <b>Financial Report</b></li> <li>- <b>Appraisal of New Development Opportunity – Kincardine O’Neil</b></li> </ul> <p>The CFO presented a report on behalf of the CEO updating the Committee on the current position with the existing development programme, associated financial profile, and</p>	CFO

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	<p>update on the position with regard to the sites impacted by Deveron Homes entering administration.</p> <p>The CFO advised that the method of grant calculation had produced a slightly higher grant award for the development at Archibald Grove at Buckie. This had improved the financial feasibility.</p> <p>The estimated final costs resulting from Deveron Homes going into administration have been determined and the funding deficits following receipt of additional Scottish Government grant funding are:</p> <p>Keith, Phase 2 – £88,636 – additional cost will be met from OHM RCF.</p> <p>Peterhead, Phase 1 – £34,918 – additional cost will be met from OH cash reserves.</p> <p>Peterhead, Phase 2 – £111,145 – additional cost will be met from OHM RCF.</p> <p>Two potential opportunities are being explored with a new developer to the Osprey Group, Snowdrop Developments. They are a high end house builder with an excellent reputation who are looking to build a relationship with a RSL to handle their Section 75 requirements moving forward. The first opportunity is in Kincardine O'Neil for 10 1/2/3 bedroom bungalow style homes. The initial assessment indicates that the financial projections for the development meet all of Osprey's red lines and the CEO is recommending that the project be progressed with a view to it being a catalyst for undertaking future opportunities with this developer.</p>	

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	<p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li><b>i. Noted the progress and position relating to the projects and opportunities itemised in this report (including Financial Report).</b></li> <li><b>ii. Noted the updated position relating to the sites in affected by the Deveron Homes administration and in particular how the deficits were to be funded.</b></li> <li><b>iii. Agreed to recommend to the OH Board the undertaking of a new development opportunity at Kincardine O'Neil.</b></li> </ul>	
<b>2.3</b>	<b>GOVERNANCE</b>	
<b>2.3.1</b>	<p><b>Annual Efficiency Plan</b></p> <p>The CSM presented a report providing the Committee with the opportunity to comment on the first draft of the Annual Efficiency Plan 2019/20.</p> <p>The Committee reviewed the draft plan recognising that many items listed are formalising what we are already doing. They noted that it is imperative that all staff understand the importance of this work.</p> <p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li><b>i. Considered and discussed the contents of the report.</b></li> <li><b>ii. Agreed the Plan as a good way forward.</b></li> </ul>	<b>CEO / CSM</b>
<b>2.3.2</b>	<p><b>OHM CoM Resignations (Verbal Update)</b></p> <p>The CSM informed the Committee of the recent resignations from the OHM CoM by Patsy Gowans and Mike McClafferty, both for purely personal reasons.</p> <p>An application to join the Osprey Governing Bodies has been received and will be considered at the joint meeting of the Governing Bodies on 20 February.</p> <p>The Committee noted that if a current recruitment programme is unsuccessful the Governing Bodies might have to look at alternative ways to attract members.</p>	<b>CSM</b>



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	<b>The Committee considered and discussed the position, noting their thanks to both Patsy and Mike for their service to the Group.</b>	
<b>3.</b>	<b>ITEMS FOR ASSURANCE / CHALLENGE</b>	
<b>3.1</b>	<b>PERFORMANCE</b>	
<b>3.1.1</b>	<p><b>Performance Result (Quarter 3 2018/19) – OH and OHM</b></p> <p>The HSM presented the Committee with a report detailing performance against Key Performance Indicators to the end of Quarter 3 2018-19 for OH and OHM.</p> <p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li><b>i. Considered the report and commended the high level of performance currently being achieved across the Group.</b></li> </ul>	<b>SMT</b>
<b>3.1.2</b>	<p><b>Performance Result (Quarter 3 2018/19) – OIL</b></p> <p>The CFO presented the Committee with a report detailing the performance against Key Performance Indicators to the end of Quarter 3 2018-19 for OIL.</p> <p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li><b>i. Considered the report and commended the high level of performance currently being achieved, especially with regards to rent arrears and voids.</b></li> </ul>	<b>CFO</b>
<b>3.1.3</b>	<p><b>Financial Performance (Quarter 3 2018/19) – Group</b></p> <p>The CFO presented a report detailing the financial outcomes for the quarter ended 31 December 2018.</p> <p>The results for the period ending 31 December 2018 are excellent across the Group.</p> <p>There remains a reduction in forecast rental income due to delays in the completion of new build properties resulting from Deveron Construction entering into Administration. Void performance has maintained improvement during the quarter.</p> <p>OH has benefitted from the sale of the property in Rhynie and OIL has delivered another strong performance in the 3<sup>rd</sup> quarter</p>	<b>CFO</b>

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	<p>of the year.</p> <p>The additional costs that will be incurred in completing the former Deveron contracts, along with how these will be funded, has been quantified.</p> <p>Cumulative surpluses are ahead of budget and conservative assumptions for the year end show results are expected to remain ahead of expectations for the full financial year.</p> <p>The quarter end figures are covenant compliant.</p> <p><b>The Committee considered and discussed the contents of the report.</b></p>	
3.1.4	<p><b>Internal Audit – Income Management</b></p> <p>The HSM presented a report providing the Committee with the outcome of the Internal Audit on Income Management which was carried out in December 2018.</p> <p>The audit looked at both welfare reform mitigation and the arrears management process to assess the Groups position in relation to Income Management. The outcome report contains recommendations to improve and some good practice recommendations to be applied, but no key areas of weakness. All actions within the Management response have already been actioned by HSM.</p> <p>The auditor report stated that overall the Group had a robust system in place for arrears management and it was a comprehensive and data driven system. It further confirmed that the Arrears Management procedure implemented in early 2018 was being applied effectively and consistently with only one area of improvement identified. Mitigation of Welfare Reform is being managed well</p> <p>The committee noted that the outcome from internal audit gives assurance to the Committee and Governing Body that the Group have effective and efficient processes in place to achieve good performance and mitigate risk. The Committee noted their appreciation to the work of the housing team on the outcome of this audit.</p>	HSM

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	<p>The current performance of arrears reflects this report and viewed positively by the Committee.</p> <p><b>The Committee:</b></p> <ul style="list-style-type: none"> <li><b>i. Considered and discussed the content of the report</b></li> <li><b>ii. Supported and endorsed the management response to each item of the recommendations.</b></li> </ul>	
3.1.5	<p><b>OIL – Hillcrest – Verbal Update</b></p> <p>The CFO informed the Committee that a contract with Northern Housing Company Limited has been agreed for the management of their MMR properties. The contract will initially run for a 3-year period, with a fixed fee of £75 per property per month. OIL will have no financial responsibility for any repairs and maintenance. Handover of the first units is expected in late March.</p> <p><b>The Committee noted the position.</b></p>	CFO
3.1.6	<p><b>Commercial Banking – Verbal Update</b></p> <p>The CFO informed the Committee that the OH transfer to Commercial Banking took place on 14 January and is working successfully. A date for the OHM transfer is yet to be confirmed.</p> <p><b>The Committee noted the position.</b></p>	CFO
3.2	<b>STRATEGY / POLICY</b>	
3.2.1	<p><b>Transfer of Engagements – Verbal Update</b></p> <p>The CFO informed the Committee that the CEO had met with prospective legal parties with direct experience of RSL TOEs/Mergers. It was highly likely that a procurement process would need to be implemented before legal support could be appointed. There is a further meeting of the Working Group scheduled for 20<sup>th</sup> February.</p> <p><b>The Committee noted the position.</b></p>	CEO


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3.2.2	<p><b>Development Strategy / Rental Strategy – Verbal Update</b></p> <p>The CFO informed the Committee that the work on the Strategy has been delayed due to the disappointing performance of the consultants supporting Arneil Johnston. A proportion of the outstanding work will now be brought back in-house.</p> <p>The draft document is expected to be available for the next Committee meeting cycle.</p> <p><b>The Committee noted the position.</b></p>	CEO
3.2.3	<p><b>Strategic Business Plan Review – Verbal Update</b></p> <p>The CFO informed the Committee that the current Corporate Plan has reached the end of its cycle. A Strategic Away Day is planned for the SMT on 13 February to commence the process for creating a new Strategic Business Plan.</p> <p><b>The Committee noted the position.</b></p>	CEO
3.3	<b>GOVERNANCE</b>	
3.3.1	<p><b>SHR Publication – Lessons from Statutory Intervention</b></p> <p>The CFO presented the SHR publication “Lessons from Statutory Interventions” for information only.</p> <p><b>The Committee considered and discussed the publication.</b></p>	CEO
3.3.2	<p><b>Assurance Event with Arneil Johnston – Outcome</b></p> <p>The CFO presented a summary of the recent Assurance Event held with Arneil Johnston. The GBMs who had been present at the event noted that it has been a very good day and that future events should be similarly recorded.</p> <p>A major outcome from the event was that the R&amp;G Committee would receive a detailed presentation of the financial projections prior to the JGB strategic event. This will likely be arranged to coincide with the next scheduled Committee meeting in May.</p>	CFO

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	<b>The Committee considered the summary and endorsed the updated approach.</b>	
3.3.3	<p><b>Conference/Training Events &amp; Feedback</b></p> <p>Finance Conference – The main topics were Governance, Compliance and Pensions.</p> <p>Chairs Conference – Highlighted forthcoming new model rules, length of service of GBMs, length of service acting as Chair, Senior Officer succession planning and the forthcoming new SHR Regulatory framework due at the end of February.</p> <p>CFO had provided details of an event being run by Onboard Training entitled “The Effective Audit and Risk Committee” specifically aimed at Boards of public sector/not for profit organisations.</p> <p><b>The Committee was of the opinion that all GBMs would benefit from such training. It was agreed that the CSO would contact the provider of the training programme to enquire if the session can be held in-house.</b></p>	<b>CFO</b>
3.3.4	<p><b>IT Support Service: Procurement Outcome</b></p> <p>The CSM presented a report updating the Committee on the major tendering exercise just completed to award the Osprey Hosted IT contract.</p> <p>The Committee noted that the 3-year contract would be awarded to the current provider Mother Technologies.</p> <p>The contract will include major improvements on service and a cost saving of c£10K per annum.</p> <p><b>The Committee:</b></p> <p><b>i. Noted the contents of the report and the positive outcome of the process.</b></p>	<b>CSM</b>



Item No	Subject	Action
<b>3.4</b>	<b>HEALTH &amp; SAFETY</b>	
<b>3.4.1</b>	<b>Health &amp; Safety Update</b>  The CSM presented the Committee with a report giving a full overview of current Health & Safety arrangements.  <b>The Committee:</b> <b>i. Noted the content of the Report.</b>	<b>CSM</b>
<b>4</b>	<b>AOB</b>  Annual appraisals for GBMs will take place in April.	
<b>5</b>	<b>Items previously circulated to members</b>  ARC indicator review Rapid Rehousing	
	<b>DATE OF NEXT MEETING</b>  Wednesday 15 May at 10:00am at Osprey Housing Office, Westhill.	

**Signed:**



**Dated:**

15.5.2019

Meeting closed at 12:30