



**MEETING OF THE JOINT RESOURCE AND GOVERNANCE COMMITTEE
3 February 2021 AT 10:00
VIA ZOOM**

Present: Rab Hepburn, Director OH and Member OHM CoM (RH)
Jim Milne, Member OHM CoM (JM)
Brian Watson, Member OHM CoM (BW)
Simpson Buglass, Director OH (SB) Arrived at item 2.1.1
Douglas Bodie, Director OH (DB)
Kate Darbyshire, Member OHM CoM (KD)

Apologies: Stuart Robertson, Director OH (SR)

Attending: Glenn Adcook, Chief Executive Osprey Group (CEO)
Gary Walker, Chief Finance Officer Osprey Group (CFO)
Clare Ruxton, Corporate Services Manager Osprey Group (CSM)
Stacy Angus, Housing Services Manager Osprey Group (HSM)
Hugh Crothers, Asset Manager Osprey Group (AM)
Sofia Redford, Corporate Services Officer Osprey Group (CSO)-Minute

Minute No	Subject	Action
1.	ADMINISTRATION	
1.1 Joint	Welcome and Apologies Apologies as noted above.	Chair
1.2	Declaration of Interest There were no changes to the standard declarations. The Committee noted position.	Chair

Minute No	Subject	Action
1.5	<p>Minutes of Meeting on 4 November 2020</p> <p>The minutes of 4 November 2020 were reviewed. The following amendment was agreed:</p> <p>Item: Attendance – BW did not attend the meeting</p> <p>Subject to the above amendment the Minute was proposed by JM, seconded by DB and agreed as a correct record.</p>	
1.4 Joint	<p>Matters Arising</p> <p>There were no matters arising not otherwise covered under separate agenda items for this meeting.</p>	Chair

Minute No	Subject	Action
2.	ITEMS FOR DECISION	
2.1	Performance	
2.1.1 Joint Item	<p>Treasury Management Update</p> <p>The CFO presented a report giving the Committee a Treasury Management Update in relation to matters relating to the forthcoming ToE.</p> <p>The Committee noted that the ToE process provides an opportunity to cost effectively update and futureproof the Lloyds Banking Group (LBG) facility by:</p> <ul style="list-style-type: none"> • Renewing the £5M RCF • Standardising financial loan covenants • Migrating existing LIBOR products to SONIA <p>RCF – the existing agreement expires on 21/04/22 and the current Financial Business Plan identifies a requirement to renew this for a further 5 years. As loan agreements are currently being reviewed and amended as part of the ToE process the Committee noted that it makes business sense to renew now.</p> <p>Standardisation of Financial Loan Covenants – It is proposed that this will be included in the existing legal work being undertaken as part of the ToE process and will (if the renewal of the RCF is also undertaken) standardise the loan covenants across the whole LBG facility.</p> <p>Migration to SONIA – All LIBOR related products will have to convert to SONIA by 31/12/21 and this work can also be incorporated into the existing legal work being undertaken for the ToE process.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Considered and discussed the contents of the report. • Recommended the approval of the Treasury Management Update to the Governing Bodies. 	CFO

Minute No	Subject	Action
<p>2.1.1 Joint Item</p>	<p>Rent Consultation 2021/22</p> <p>The HSM presented a report updating the Committee on the process undertaken for the 2021/22 rent review consultation with tenants.</p> <p>The Committee noted that the rent consultation letters had been issued to tenants early in January and the consultation process will run until 12th February. The letters consisted of 2 options for rents dependant on the final outcome of the ToE.</p> <p>Option 1 – If the ToE is approved, a rent freeze for year 1 followed by 2 years of CPI only increases. Option 2 – If the ToE is not approved a rent increase in line with the current business plan of 1% based on CPI + 0.5%.</p> <p>To date 64 responses had been received which were all in favour of Option 1.</p> <p>The consultation letter in addition asked tenants to rank their top 3 service delivery priorities. The responses to date showed a preference for the following:</p> <ol style="list-style-type: none"> 1. Value for money 2. Energy efficiency 3. Repairs and maintenance. <p>The response rate is the highest in the last three years which is assuring.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the contents of the report. • Recommended to the Governing Bodies to apply the rent level outcome appropriate to the final decision on the Transfer of Engagements and in line with the relevant business plan model. Assuming successful completion of ToE this would endorse the rent freeze option. 	<p>HSM</p>

Minute No	Subject	Action
2.2	Strategy/Policy	
2.2.1 Joint Item	<p data-bbox="379 315 1240 347">Renewal of £5M RCF</p> <p data-bbox="379 392 1240 504">The CFO presented a report to the Committee outlining the indicative terms for the renewal of the £5M RCF with LBG and the rationale behind renewing this financial year.</p> <p data-bbox="379 548 1240 660">The Committee noted that the existing agreement expires on 21/04/22 and the current Financial Business Plan identifies a requirement to renew this for a further 5 years.</p> <p data-bbox="379 705 1240 929">To mitigate the risks identified in exposure to refinancing and to ensure that liquidity is secured in advance of requirement it is recommended that the new agreement is put in place during this financial year. In addition, this can be incorporated into the existing legal work being undertaken for the ToE process.</p> <p data-bbox="379 974 1240 1120">The indicative terms offered by LBG represent a slight improvement on the existing terms, albeit the financial covenant in relation to interest cover is less beneficial. It is however the same as the existing LBG facility.</p> <p data-bbox="379 1164 638 1196">The Committee:</p> <ul data-bbox="427 1240 1240 1464" style="list-style-type: none"> <li data-bbox="427 1240 1240 1352">• Recommended the approval of the renewal of the £5M RCF with LBG to the OH and OHM Governing Bodies. <li data-bbox="427 1352 1240 1464">• Recommended that Pinsent Masons perform the comprehensive legal review as part of the ToE process. 	CFO
2.2.2 Joint Item	<p data-bbox="379 1509 989 1541">Draft Budget Proposals 2021/22 - OH</p> <p data-bbox="379 1585 1240 1664">The CFO presented the final Osprey Housing draft budget for the year ending 31 March 2022.</p> <p data-bbox="379 1709 1240 1787">The following assumptions have been used in preparing the final draft budget:</p> <ul data-bbox="427 1832 1240 2009" style="list-style-type: none"> <li data-bbox="427 1832 1240 1899">• that the ToE proceeds and OH/OHM are a single entity from 1 April 2021 <li data-bbox="427 1899 1240 2009">• VAT has been incorporated into specific budget heads rather than being shown separately. This is to facilitate compliance with Making Tax Digital. 	CFO

- Income forecasts are based on a rent and service charge freeze.
- Void Rent Loss has been set at 0.7% (unchanged from updated pandemic budget 2020/21).
- Bad Debts have been assumed at 2.0% of gross rental income (decreased from 2.5% in updated pandemic budget 2020/21).
- Void Maintenance - Provision has been based on 165 void properties per annum at a cost of £1,600 + VAT per property.
- Planned/Cyclical Maintenance - This relates to the external painterwork programme, the annual servicing of heating and electrical systems as well as items identified under the Life Cycle Costing (LCC) Report.
- Staff Salaries include the proposed staffing establishment changes (see agenda item 2.3.1) along with an annual cost of living increase of 1.0% as previously approved.
- Professional Fees has been adjusted for known items of expenditure, including a full option appraisal of loan financing, additional recruitment costs and legal costs associated with the planned adoption of the new model rules.
- Provision has been made for a new Community Fund and for the undertaking of a major document scanning exercise.
- Rental income for the ground floor office has not been included.

The forecasts have been prepared to ensure that loan covenant compliance has been achieved.

The Committee noted that since the circulation of the report a formula error had been identified in a calculation resulting in the anticipated surplus being revised down to £2,131,469. The expected year end cash balances remained as reported at £7,421,399.

The Committee:

- **Considered the contents of the report.**
- **Noted and accepted the revision to the report**
- **Recommended the approval of the proposed budget to the Governing Bodies/ Board of Osprey Housing.**

Minute No	Subject	Action
2.2.3	<p>Draft Budget Proposals 2021-22 – OIL</p> <p>The CFO presented the final Osprey Initiatives Limited draft budget for the year ending 31 March 2022.</p> <p>The following assumptions have been used</p> <ul style="list-style-type: none"> • Rental Income includes the extension of a rent freeze for a further year. • Factoring income includes 33 units for a part year (10 months) managed on behalf of Hillcrest Enterprises and anticipates a reduction in the former NHT units, again managed on behalf of Hillcrest Enterprise, as they migrate to the social sector as they become void. • Void Rent Loss has been set at 4.0% (unchanged from 2020/21). • Bad Debts have been maintained at 1.0% of gross rental income (unchanged from 2020/21). • Reactive Maintenance assumes that the level of repairs increases as the stock ages. • Cyclical Maintenance relates to annual servicing of heating systems, electrical inspections and PAT testing of appliances. • Professional Fees relates to expected legal, audit and accountancy fees. • IT costs include website hosting along with Lettings Automation software costs. • Lease Charges have been set as per the Lease Agreements with OH and OHM and cover the net cost of development, future capital renewals and insurance. • Management Charges include the full salary cost of the team that provides services on behalf of OIL including additional maternity cover. <p>The anticipated profit is expected to be £27,704 with expected year end cash balances rising to £417,704.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Considered the contents of the report. • Recommended the approval of the proposed budget to both the Board of OIL and the Board of OH. 	CFO

Minute No	Subject	Action
2.2.4 Joint	<p data-bbox="379 277 1240 501">Development Exception Report</p> <p data-bbox="379 353 1240 501">The CFO advised that due to little progress on pipeline developments only exceptions with regard to the development programme are being reported for this meeting. CFO highlighted the following:</p> <p data-bbox="379 546 1240 696">Kincardine O’Neil Phase 1 - Stage 2 grant funding has been awarded from the Scottish Government to cover the full cost of the adaptations undertaken to one of the bungalows to facilitate the particular needs of a new tenant.</p> <p data-bbox="379 741 1240 965">Alba Place, Elgin – Additional grant funding, representing 50% of the claim, has been awarded by the Scottish Government to cover the additional construction material costs identified by the contractor. The remaining costs will be split equally by the OHM and the contractor. This will result in the development no longer meeting all “red lines”.</p> <p data-bbox="379 1010 1240 1272">Portstown, Inverurie Phase 2 – Final negotiations with the developer identified additional costs not brought to our attention by Castlehill HA in relation to inflationary uplift to the value of the units and responsibility for the planning gain payments to the local authority. This will result in an additional cost of £31K, although the development continues to meet all “red lines”.</p> <p data-bbox="379 1317 639 1352">The Committee:</p> <ul data-bbox="427 1397 1240 1621" style="list-style-type: none"> <li data-bbox="427 1397 1240 1464">• Considered the contents of the report and recommended to the Governing Bodies: <li data-bbox="427 1471 1240 1538">• Approval of the outcome of negotiations with the contractor in relation to Alba Place, Elgin. <li data-bbox="427 1545 1240 1621">• Approval of the amended total purchase price for the 3 units at Portstown, Inverurie. 	CFO
2.2.5	<p data-bbox="379 1666 1038 1702">ASHS – Transfer of Engagements – Offer</p> <p data-bbox="379 1709 1240 1856">The CEO presented a report informing the Committee of the progress being made to negotiate a ToE of ASHS into OH and ensure the first stage ‘offer’ to ASHS is subject to full governance review and endorsement.</p> <p data-bbox="379 1901 1240 2002">The Committee noted that OH has acted as managing agent of ASHS for the past 12 years and has developed a good relationship the tenants.</p>	CEO

Minute No	Subject	Action
	<p>The decision to pursue a ToE had been taken by the Board of ASHS to ensure the ongoing sustainment of the Society's aims and objectives and had invited OH, as the current Management Agent, to prepare an 'offer'.</p> <p>The Committee noted that the properties are in good condition and that OH can comfortably afford what is included in the offer, which is currently being reviewed by the ASHS Board.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the report and supported the decision the Office Bearers taken under delegated authority to approve the submission of the 'offer' to the ASHS Board. • Recommended to the OH Board endorsement of the offer and commitment in principle to the ToE (subject to a successfully negotiated agreement that meets with OH expectations). 	
<p>2.2.6 OH Item</p>	<p>Articles of Association</p> <p>The CEO confirmed to the Committee the proposed amendments required to the OH Articles of Association should the OHM shareholders approve the ToE at its meeting on 3 February 2021. This has previously been agreed in principle by the OH Board.</p> <p>A Special General Meeting will be required to approve the proposed amendments, and this has been scheduled for 17 February prior to the joint meeting of the Governing Bodies.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the Articles of Association have previously been agreed in principle by the OH Board, agreed the necessity for continued support and the requirement for approval of OH Members at a SGM. 	<p>CEO</p>

Minute No	Subject	Action
2.2.7	<p>Policy Review and Approval</p> <p>The CSM presented a report informing the Committee on the progress being made to review and update policies over the past three months.</p> <p>Due to the number of policies scheduled to be reviewed later in the year the following Corporate Services policies have been reviewed earlier: Retirement, Redundancy, Pay Protection, Maternity Leave and Paternity Leave.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the report. • Recommended the Policies for approval by the Governing Bodies. 	CSM
2.3	Governance	
2.3.1	<p>Proposed Change to Staffing Establishment</p> <p>The CSM and HSM presented a report providing the Committee with the opportunity to consider plans to change the staffing establishment of Osprey Housing on a proposed temporary basis.</p>	CSM/HSM

Minute No	Subject	Action
	<p>Due to the ongoing pressures of the COVID pandemic and the need to continually review and assess tenants needs, HSM had carried out a review of the current structure of the Housing Services team with a view to establishing a resilient, futureproof structure.</p> <p>It was therefore proposed that a temporary Officer post, for an initial period of two years, providing dedicated housing tenancy support should be established which could be recruited internally.</p> <p>The impact of the role would be monitored via the newly established Tenancy Sustainment and Support Working Group and associated action plan framework.</p> <p>The previously approved Housing Apprentice post would no longer be required and has been removed from the budget although an appointment to this role may be considered in future should circumstances change.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the report • Agreed the proposals to changes within the Housing Services team. • Recommended endorsement by the Governing Bodies on the basis of affordability 	
<p>2.3.2 Joint Item</p>	<p>Strategic Risk Register</p> <p>The CEO presented a report providing the Committee with the opportunity to update the Osprey Risk Register.</p> <p>The Committee noted that the SLT had reviewed the full Risk Register and recommended a number of adjustments to be reviewed by the relevant Committee.</p> <p>The Committee reviewed the following Risks:</p> <p>FV3 – Costs exceed budget F5 – Pensions FV6 – Unsuitable Development/Developer Insolvency Covid12 – Breach of Loan Covenants and Undertakings</p>	<p>CEO/CFO</p>

	<p>The Committee:</p> <ul style="list-style-type: none"> • Noted the contents of the report. • Reviewed and agreed the proposed changes to the Risk Register particularly those outlined above that it has responsibility for. 	
3.	ITEMS FOR ASSURANCE / CHALLENGE	
3.1	Performance	
3.1.1a Joint Item	<p>Performance Result (Quarter 3 2020/21) – OH & OHM</p> <p>The CEO presented the Q3 KPI figures for OH and OHM.</p> <p>It had been a good quarter where performance had held up well considering the continued COVID 19 restrictions.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Noted the results • Congratulated the staff on the excellent performance figures. 	SMT

Minute No	Subject	Action
3.1.1b OH Item	<p>Performance Result (Quarter 3 2020/21) – OIL</p> <p>The CEO presented the Q3 KPI figures for OIL.</p> <p>Although the OIL portfolio of properties is more vulnerable during the current market situation they have performed well.</p> <p>The Committee noted the results for Q3.</p>	CEO
3.1.2 Joint Item	<p>Financial Performance (Quarter 3 2020/21) – Group</p> <p>The CFO presented a report detailing the financial outcomes for the quarter ending 31 December 2020.</p> <p>OHM</p> <p>The results for the period to 31 December 2020 are excellent with most budget heads exceeding expectations.</p> <ul style="list-style-type: none"> • Gross rental income is broadly in line with budget. • Void Rental Loss is slightly higher than expected. • LBG has applied 0% interest to bank accounts resulting in no interest receivable. • Expenditure less than budget as a result of pandemic impact on office and staff related costs. • The results are covenant compliant. <p>OIL</p> <p>The results for the period to 31 December 2020 are satisfactory.</p> <p>Aberdeen LLP have advised the sale of the NHT units under management by OIL has been agreed to Hillcrest and GHA. Hillcrest have indicated they would like OIL to continue the management on their behalf.</p> <p>Rental income and void rent loss are ahead of budget.</p> <p>Total rent arrears have increased further and although manageable, remain an area of concern.</p>	CFO

Minute No	Subject	Action
	<p>OH</p> <p>The results for the period to 31 December 2020 are excellent with most budget heads exceeding expectations.</p> <ul style="list-style-type: none"> • Gross rental income forecast is marginally lower due to 4 properties being removed from debit for major capital work or pandemic matters and delays to the New Build programme. • Void loss figure is better than expected as a result of the 4 properties being removed from debit. • LBG has applied 0% interest to bank accounts resulting in no interest receivable. • Expenditure less than budget as a result of pandemic impact on office and staff related costs. • Reactive repairs reported remains low and there is no evidence of returning to 'normal' levels, but this will remain under review. • Void expenditure is significantly over budget and is the subject of an exception report (see item 3.1.3). • The results are covenant compliant. <p>The Committee noted that the performance for the first 9 months of the year has been strong with significant margins of comfort in relation to covenant compliance.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • Considered, discussed and noted the contents of the report. 	
<p>3.1.3 OH Item</p>	<p>Void Performance Exception Report – OH</p> <p>The AM presented a report providing the Committee with information on the current Void Budget spend in OH, why it appears to be high and the solutions proposed to rectify the matter.</p> <p>Analysis of budget spend on Void Budget appears to be c£57k above expected spend.</p> <p>This is a result of 5-6 properties requiring considerable amount of refurbishment to bring them up to lettable standard. The spend should have been allocated to three categories with defined budgets. However, this has not been the case and spend has mainly been allocated into two categories resulting in an apparent overspend.</p>	<p>AM</p>

Minute No	Subject	Action
	<p>It is anticipated that following re-allocation of spend there will be considerably less overspend in the Void Budget.</p> <p>The AM will clarify with the AMOs and AAs how spend should be split to avoid a re-occurrence.</p> <p>The Committee noted the contents of the report.</p>	
3.2	Strategy/Policy	
3.2.1 Joint Item	<p>Transfer of Engagements – Verbal Update</p> <p>The CEO provided a verbal update on the current status of the Transfer of Engagements process.</p> <p>The first OHM SGM to approve the ToE is due to be held later in the day. If the OHM SGM vote in favour of the ToE the OH Board will be asked to accept the transfer at its meeting on 17 February. A second OHM SGM will the be required to confirm the wind-up of OHM. This is scheduled to take place on 18 February.</p> <p>The Committee noted the update.</p>	CEO
3.2.2 Joint Item	<p>Letter from SG and COSLA</p> <p>The CEO presented the Committee with a joint letter from the Scottish Government and COSLA confirming the current legal requirements and guidance in relation to the work force, tenants and wider community during the COVID 19 pandemic.</p> <p>The Committee:</p> <p>Noted the letter.</p> <p>Noted that Osprey are following the legal requirements and guidance.</p>	CEO

Minute No	Subject	Action
3.2.3 Joint Item	<p>Internal Audit – Verbal Update</p> <p>The AM gave a verbal update on the Interna Audit into Response Repairs and Gas Safety which had recently been carried out by OH’s internal auditors, Azets (formerly Scott Moncrieff) at the end of January.</p> <p>Both audits had gone well, and no issues had been identified. The full audit report will be available in 3-4 weeks and will be presented at the next cycle of meetings.</p> <p>The Committee noted the update and await the written report.</p>	AM
3.3	Governance	
3.3.1 Joint Item	<p>Conference/Training Events & Feedback – Verbal Update</p> <p>RH had attended a recent session hosted by RSM where the increase in cyber-attacks during lockdown had been highlighted. The CSM informed the Committee that the Group is in the process of attaining the enhanced accreditation of cyber security – Cyber Essentials Plus.</p> <p>The CEO informed the Committee that a meeting of the Scottish, English and Welsh Housing Regulators had taken place and it is understood that the E and W Regulators will be looking at how the SHR is working on protecting the interest of the tenants and will be taking a lead from the SHR when they look at future policy.</p> <p>The Committee noted the position.</p>	CFO

Minute No	Subject	Action
3.4	Health and Safety	
3.4.1 Joint Item	<p data-bbox="379 315 1240 347">Health and Safety Update</p> <p data-bbox="379 394 1240 465">The CSM presented a report providing the Committee with a full overview of the current Health and Safety arrangements.</p> <ul data-bbox="429 512 1240 891" style="list-style-type: none"> <li data-bbox="429 512 1102 544">• The H&S Committee has continued to meet. <li data-bbox="429 551 1240 658">• A further wellbeing survey has been carried out with the staff team. Responses were in general positive and any issues highlighted have been actioned. <li data-bbox="429 665 1155 696">• A wellbeing survey for the GBMs was approved. <li data-bbox="429 703 1240 775">• Due to the current lockdown regulations a return to the office has been further postponed. <li data-bbox="429 781 1240 891">• The HWL programme has been largely put on hold although the Walkathon was completed in December when the team reached Wellington NZ. <p data-bbox="379 938 639 969">The Committee:</p> <ul data-bbox="429 1016 1240 1200" style="list-style-type: none"> <li data-bbox="429 1016 1240 1088">• Noted the actions taken during the Covid-19 restrictions. <li data-bbox="429 1095 1240 1167">• Considered and approved a wellbeing survey for the GB members. <li data-bbox="429 1173 1018 1205">• Noted the Contents of the report. 	CSM
4 Joint Item	<p data-bbox="379 1240 453 1272">AOB</p> <p data-bbox="379 1321 1240 1473">IIP – Following a scheduled review by the IIP assessor in October the Group has been awarded Gold accreditation. The Group will now pursue Platinum accreditation which was endorsed by the Committee.</p> <p data-bbox="379 1520 1240 1700">Dolphin Index - The preliminary results of the Dolphin Index staff survey will be presented to the GBMs at a session on 3 February. The outcome will be further followed up by a focus group meeting with some staff members and depth interview with CEO.</p>	CSM

Minute No	Subject	Action
5.	<p>ITEMS PREVIOUSLY CIRCULATED TO MEMBERS FOR INFORMATION</p> <p>2.2.6 – Full Articles of Association - via portal and email notification on 27 January 2021</p>	
6.	<p>DATE OF NEXT MEETING</p> <p>Wednesday 12 May 2021 at 10:00 at Osprey Housing Office, Westhill – Format TBC</p>	

The meeting closed at 12:00

Date: Rab Hepburn_____

Signed: 12 May 2021_____