**SPECIAL MEETING OF THE OSPREY HOUSING BOARD**

**9 FEBRUARY 2022 HYBRID WESTHILL HOLIDAY INN/ZOOM**

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| Present: | Mike Scott, Director OH Board: Chair (MS) |
|  | Les Allan, Director OH Board: Vice Chair (LA) |
|  | Stuart Robertson, Director OH Board (SR) (Zoom) |
|  | Brian Topping, Director OH Board (BT) (Zoom) |
|  | Jonathan Young, Director OH Board |
|  | Rab Hepburn, Director OH Board (RH) |
|  | Brian Watson, Director OH Board (BW) |
|  | Jim Milne, Director OH Board (JM) |
|  | Simpson Buglass, Director OH Board (SB)  Mike McClafferty, Director OH Board (MMcC) (Zoom)  Alison Mitchell, Director OH Board (AM) |
|  | Claire Crawford, Director OH Board (CC) |
|  | Raymond Edgar, Director OH Board (RE) |
|  | Douglas Bodie, Director OH Board (DB) |
| Apologies: |  |
| Attending: | Stacy Angus, Chief Executive Osprey Group (CEO) |
|  | Gary Walker, Director of Finance, Osprey Group (DF) |
|  | Dan Thompson, Director of Housing Services, Osprey Group (DHS) |
|  | Clare Ruxton, Director of Corporate Services, Osprey Group (DCS) |
|  | Hugh Crothers, Director of Assets and Sustainability Osprey Group (DAS) |
|  | Sofia Redford, Corporate Services Officer Osprey Group (CSO) (Minute) |
|  | Gillian Houston, Arneil Johnston, external consultant (GH) (Zoom) |

| **Minute No** | **Subject** | **Action** |
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| **1** | **Welcome and Apologies**  **There were no apologies.** | **Chair** |
| **2** | **Declarations of Interest**  There were no changes to the standard Declarations | **Chair** |
| **3**  **3.1** | **Business Plan Review**  **Introduction and contextual presentation from CEO**  The CEO gave a presentation giving contextual information to the decision required during this meeting:  **Growth/lending**  The Board was reminded that during the Strategic Board event in October 2021, the Board expressed its unanimous view of the desire to continue the growth of Osprey. In the context of favourable lending rates alongside the known commitment to development grant from the current Scottish Government, it was agreed that there was a real opportunity to continue to build more homes.  Treasury consultants Chatham had subsequently been commissioned to review Osprey’s existing loans, assess future funding requirements to deliver the aspirational Development Programme and to assess re-funding options. Two options had been considered by the R&G Committee at their meeting in November. It had been agreed that further evaluative work was required to explore the two options.  The current lenders have come back with a market competitive offer for both the current and additional Revolving Credit Facilities (RCF).  **Rent increase**  The Board noted that the rent consultation for 2022/23 was based on the September CPI of 3.1% which is in line with the Osprey rent setting policy. However, the impact of three rent scenarios were modelled over the affordability model and the projected impacts highlighted over future years.  As part of the consultation tenants were asked to rank their priorities with affordability and VfM receiving the most votes.  **Cost of living award**  The Board was informed that the Remuneration committee had met the previous week and considered the proposed 3.1% CPI as a minimum. To reflect the staff performance through recognition and reward the Remuneration Committee also suggested that the Board should consider a 3.5% award to all scale points. | **CEO** |
| **3.2** | **Business Plan Presentation by Gillian Houston – Arneil Johnston**  GH gave a detailed presentation outlining the viability and resilience of the 30 year Financial Business Plan based on a range of different scenarios and stress tests. |  |
| **4**  **4.1** | **Business Plan Decision**  **Treasury Management and (Re)financing.**  The DF presented a report providing the Board with an update on recent treasury discussions/negotiations and to provide clear recommendations for progressing matters.  Although existing and imminent developments are fundable from existing loan facilities and cash reserves, additional funding is required to fund any future projects.  The report from Chatham’s highlighted the requirement for additional liquidity of £11.5 to deliver the aspirational Business Plan which should be secured through either:   * Option 1 – an additional RCF/Fixed Rate loan combination or * Option 2 – a complete re-financing “big-bang” approach via a private placement for £58M (incl. breakage costs of existing legacy loans).   Following a meeting between the CEO, DF and Lloyds a proposal was received to amalgamate the existing RCFs and provide additional lending of £12.5M, both of which to be extended for a period of five years, plus the ability flexibly extend for up to a further 2 years.  Key details are:   * Proposed margin for all RCFs is 100bps. This is a 25bp decrease on Tranche B (£7.5m RCF), and a 20bp decrease on Tranche C (£5m RCF) * An arrangement fee of 0.40% of the increased £12.5m amount and an amendment fee of 0.20% of the existing RCF commitments (also £12.5m) * Interest Cover: currently Osprey’s covenant is 125% EBITDA-MRI in respect of each FY. It is proposed to reduce this to 100% per year, 110% 3 year rolling average. The definition has been updated to make explicit the treatment of impairment charges (Current definition is silent on these) * Gearing: Changing the definition to Net Debt expressed as a percentage of Housing Properties at Historic Cost will not exceed 50% * Asset Cover, Financial Support, and Mergers & Subs - no changes proposed * Non utilisation costs to be 40% of agreed margin * Existing long term loan facilities to remain unchanged   The Board noted that the proposal exceeded expectations. Following discussion with Chatham it became clear that the “big bang” approach would involve a considerable amount of work and would not result in a significant improvement compared with the new Lloyds offer which is competitive with a margin of 1%, provides guaranteed liquidity for the next 5-6 years and reduced pressure on the business plan by easing both the interest cover and gearing covenants.  Having reviewed the different scenarios presented by GH and their effect on the Financial Business Plan the Board:   * **Agreed that Osprey should access additional funding to increase the level of development to build a possible 370 homes by 2025.** * **Agreed to enter into an agreement with Lloyds for an additional RCF of £12.5M on the terms highlighted in the TM report.** * **Agreed that the existing separate RCFs of £5M and £7.5M be amalgamated into a single £12.5M on the reduced margin of 100bps** * **Agreed the new covenant definitions as stated in the TM report** * **Agreed the arrangement fee structure as outlined in the TM report** * **Agreed the non-utilisation fees as outlined in the TM report** * **Agreed the terms of the RCFs be set at 5+1+1 years** * **Noted the conversion of the Nationwide loans to SONIA** * **Agreed the recommendation that OH should open discussions with Nationwide to convert the outstanding variable rate debt to a fixed rate loan.**   **This was proposed by RH and seconded by LA** | **DF** |
| **4.2** | **Rent Increase 2022/23**  The presentation from GH included affordability modelling of three different rent increase options:   * 3.1% (September CPI as per Osprey rent setting policy) * 2.1% * 0%   The scenario modelling showed that all options were affordable. The Board noted that Osprey rent levels are above our local peer organisations and that a rent freeze would reduce the gap.  **The Board:**   * **Considered the medium-term affordability impact of each option.** * **Gained an understanding of the current position of Osprey rents compared to the sector and affordability levels** * **Understood the strong regulatory focus on affordability of rents**   **Having considered the above the Board:**   * **Approved a rent freeze for the year 2022/23. This was proposed by LA and seconded by BW.** | **CEO** |
| **4.3** | **Cost of Living Award 2022/23**  The DCS and JY outlined the considerations taken by the Remuneration Committee for a cost of living increase to all salary points for 2022/23:   1. CPI/CPIH/RPI/Average Earnings Figures and trends outlined in the paper’s table 1 showing the economic context. 2. Staff Retention – Statistics so far for 2021-22 show that Osprey is retaining staff with low staff turnaround figures. Of those staff members who have left during the financial year to date none have stated remuneration as being a contributory factor. 3. Staff Recruitment – Although limited, due to the above, recent recruitment experience has indicated that salary levels are set at a level that is enabling the organisation to attract appropriately skilled personnel. This could be a direct impact of the prevailing local economic factors in the North East of Scotland. 4. The ongoing economic situation due to Brexit, the pandemic, and the effect this has had on the stability of inflation rates was considered. This decision had been delayed from November 2021 in an effort to receive as much data as possible to further understand the potential future circumstances. 5. The promise made to our tenants as part of last year’s ToE to keep this year’s rent increase to no more than CPI as reported for September 2021. 6. National Insurance Contributions – Staff and the organisation will be faced with a 1.25% increase in contributions from 1 April 2022.   After full consideration and discussion of all the information, in these exceptional economic circumstances, the Remuneration Committee decided that two options should be presented to the Board for their consideration:   * the initial proposal from SLT of an uplift of 3.1% * an uplift of 3.5% which although slightly higher than initially proposed included a thank you to staff for their excellent work during the pandemic.   **The Board:**   * **Considered and discussed the contents of the report** * **Considered the Remuneration Committee’s recommendation that a** **cost of living award for 2022/23 be applied to all salary points within the Osprey staffing structure** * **Considered and decided which of the two options proposed by the Remuneration Committee should be applied** * **An uplift of 3.5% was approved. Although slightly higher than initially proposed, in recognition of the Osprey Team’s performance during the** **pandemic. This was proposed by RH and seconded by LA**   **The Business plan, subject to the decisions above, was unanimously approved.** | **DCS** |
| **5** | **Osprey Initiatives Limited (OIL) Review of Service Provision**  The Board considered the appraised options, shared with them within the body of the report, as the second phase of the resourcing review for OIL was completed.  **The Board:**   * **Reviewed the suggested options for the restructuring of services provided to OIL** * **Noted the number of options explored and the extent of the informal consultation with affected staff members up to this point** * **Considered the merits of each option and the impact on OIL’s ability to remain profitable post 1 April 2022** * **Approved the adoption of option 4.2.4 as the new structure for delivering services to OIL from 1 April 2022** * **Agreed that the formal redundancy process for the affected members of staff should commence immediately** * **Agreed delegated authority to the Chairs group should further decisions be required on conclusion of the formal redundancy consultation period** | **Chair** |

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| **5** | **AOCB**  None. |  |
| **6** | **Date of next meeting**  **Wednesday 23 February 2022 – Westhill Holiday Inn** |  |

The meeting closed at 12:00

Signed: Les Allan.

Date: 23 February 2022