



**Minute of the Board of Management Meeting of Muirhouse Housing Association on 17 May 2021, held via Video Call**

<b>Present</b>	Iain Strachan (Chair)	Adam Gray
	Pascale Adriaens	Eric Hollanders
	Willie Grieve	Bob McDougall
	Martin Thoronka	Harry Woodward

<b>In Attendance</b>	Barry Allan – ICE (Interim Chief Executive)
	Paula McVay – AMO (Asset Management Officer)
	Stephanie Sedstrem - HO (Housing Officer)
	Lisa Murray – FCSA (Finance and Corporate Services Assistant) - Minute
	Peter Freer – Allia C&C

The meeting started at 18:35

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**GOVERNANCE**

**1. CHAIR'S OPENING REMARKS**

The Chair welcomed everyone to the meeting and welcomed Peter Free and thank him for coming along to do the presentation.

The Chair information the Board that Rhona Cameron has resigned and thanked her for her contribution to the Board.

**2. DECLARATIONS OF INTERESTS**

Martin – MH4

**3. APOLOGIES**

Roy, Jonathan (LOA), Drew, Janette, Julie, Carol

**REPORTS AND MINUTES (FOR APPROVAL)**

**4. BANK REFINANCING PROPOSALS**

Barry spoke to the report to remind the Board that the first part of the appointment with Allia to review the MHA business plan. Allia C&C reported that significant savings could be made if we refinanced our current loans due to lower interest rates and margins that our current loan arrangements. Following



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this report Board approved the 2<sup>nd</sup> part of the work which Allia C&C has performed and Peter will present the findings.

Peter spoke to the presentation to inform the Board that there had been a really positive response from lenders and competitive offers have been received. The 3 recommend proposals detailed in the presentation demonstrate significant cash flow savings for the business, this will add strength to the business in the next 5 to 6 years especially with EESH2 and other future challenges.

Peter directed the Board to slide 8 which shows all the offers available to MHA compared to the current rates that we have with Bank Of Scotland (BOS). None of the interest rates offered are close to the 5% MHA currently has with BOS.

Peter went through the different deals covered in the presentation for the benefit of the Board.

A Board Member asked that since proposals 1, 2 & 3 all look very similar what is the difference. Peter confirmed that the only differences are saving 10 base points and adding another bank to deal with. Peter told the Board that he wanted to show the whole overview. A Board Member asked if this is a risk? Peter responded that there is a risk with any bank that it gets into trouble or exit Housing Association sector then MHA would have to deal with the bank but not in the sector. However, it means if you stick with 1 bank you are stuck with 1 bank leaving the sector not more than 1, the biggest issue with option 1 would be dealing with 3 banks and the additional administration costs and work alongside the potential of a different set of covenants.

*Martin left 18:49*

A Board Member asked whether splitting up the collateral would lead to large costs relating to administration and security and if you go with a charity bank it would be less likely to leave the Housing sector rather than Handelsbanken. Peter replied that this is a fair comment, but Handelsbanken have been around for a while and wouldn't want to comment about the likelihood of them leaving the sector.

A Board Member asked about splitting loans and what are the benefits. Peter commented that it is spreading the risk across the banks and important for the Board to see it and noted that the savings would have to be more than the potential costs if the Board decided to go with the proposal including 3 banks.



Peter mentioned the covenants and noted that he would be looking for them to be consistent across the different banks where possible.

*Martin rejoined 18:54*

Peter commented that the presentation shows how the different offers affect the current business plan budgets. Another advantage of the proposals is that refinancing now removes the requirement the requirement for refinancing in the next 10 years of the business plan. Barry noted that the current 30-year budgets included refinancing in years 4 & 8. This would negate the need for this refinancing and could potentially remove the need for the additional funding of £1.5m on top of the refinancing that is included in year 8.

Peter commented that taking a fixed rate now would mean that if you wanted to change it you would have to pay a breakage fee, important the Board knows this.

A Board Member spoke to the Board to suggest we should be able to separate security package for each lender, he then asked is it just fixed securities that the lenders would be looking for from MHA? Peter said yes, they haven't asked for anything else in their offers. A Board Member said the last valuation was a few years ago, BOS asked for an updated desktop valuation not a full one, Peter said that CAF bank will probably look for a full one although he would try to persuade them that this is not necessary. Peter is hopefully that they should be quite flexible with the promise of providing them with a full valuation at a later date. Peter suggested it is perhaps worthwhile to get a full valuation but that is probably a decision for another date.

A Board Member asked about the fact we have an optional appraisal coming up, is this a cause of concern? Peter that is why some lenders didn't bid on this and all the lenders who put in offers know about it.

A Board Member asked about breakage costs, have you looked at these from the lenders and are you content with this? Peter stated that this was carried out when they did the analysis and the view is that these are fair and in line with the markets. We would carry out that work again and get final breakages costs once MHA has decided on a lender.



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A Board Member said that it is important to get Barry's view on this. Barry thanked Iain and Peter for his work and said that having 3 banks is increasing the admin for ourselves, not sure it is worth the additional securities costs. He suggested that he would look at option 2 or 3.

A Board Member said that Peter & Barry have done a good job of summarising. The fact that rates and margins are lower means it is a good saving at this time and we do not have to worry about taking on additional debt for several years. We are meeting on all our treasury policies and the golden rule.

A Board Member asked Barry how important it for you for a bank is to be online instead of going into the bank. Barry responded that he does not think it is a factor with these loans as this isn't a significant issue for operationally. RBS are our bank for daily banking and this is all online, BOS have asked about taking on our daily banking in the past and he wouldn't have an issue in moving this if they were to offer benefits to us. Peter did none of them ask them, no some of them were happy to take it on but it wasn't something they asked as part of the tender. I don't think BOS would drop their pricing for this.

A Board Member asked Peter what option would he recommend, Peter either option is good one as we don't know what the rates are going to do.

Option 2 would be the most prudent, Barry what would you recommend to the Board. Barry noted that he was content with either option 2 or 3.

Peter confirmed that all options include repayment of capital and interest, with no interest only period. The Board asked if Barry had any concerns about staff capacity. Barry replied no and that Allia will take the lead and cover most of the work dealing with the lenders, the solicitors TC Young, and valuers as necessary and the Board would be updated accordingly. Peter noted that whatever option Board decide, he will try and squeeze the margin further but it is important that Board are aware that the BOS loan offer is how they presented it.

The Chair asked how long the process will take. Peter responded that since MHA are already a customer of BOS, it is when the lawyers are involved and security is discharged that the agreements take the longest. Peter previously indicated the end of July and he is confident that this is achievable.



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	<p>The Board asked that staff review the loan margins and current rates each year and diarise this. Peter noted that Allia can assist with this task.</p> <p>The MHA Board considered the report and presentation and approved the bank loan refinancing option 2 [REDACTED] in principle and for the ICE and Allia C&amp;C to be delegated to complete this work subject to final Board sign off of loan agreements.</p>	<p><b>ICE</b></p> <p><b>Approved</b></p>
5.	<p><b>AOB</b></p> <p>NONE</p>	
6.	<p><b>DATE OF NEXT MEETING</b></p> <p>21 June 2021</p>	

The meeting closed at 19:36