

CONFIRMED MINUTES

AFR 09.02.2026

At the **AFR 09.03.2026** on **9 Mar 2026** these minutes were **confirmed as presented**.

Name:	Audit, Finance and Risk sub-committee
Date:	Monday, 9 February 2026
Time:	10:30 am to 1:30 pm (GMT)
Location:	Default Location, Morrison House, Bayfield, Portree
Committee Members:	Mr Robin Nairn (Committee Chair), Mrs Audrey Sinclair, Mr David Clapham, Mr Ian Young
Attendees:	Steven Proudfoot, Mr Tim Wallis, Lowri Richards, Ben Thomas, Jennifer MacInnes, Jess Clarke, CJ Scott
Apologies:	Mr Robert Muir
Guests/Notes:	CJ Scott, WGB

1. Opening Meeting

1.1 Apologies

Robert Muir passed on his apologies as he was unable to attend the meeting.

2. Declarations of Interest

2.1 Declarations of Interest

3. Minutes of Previous Meeting

3.1 Minutes of Previous Meetings

Audit, Finance and Risk sub-committee 13 Nov 2023, the minutes were confirmed as presented.

Audit, Finance and Risk sub-committee 12 Feb 2024, the minutes were confirmed as presented.

Audit, Finance and Risk sub-committee 18 Mar 2024, the minutes were confirmed as presented.

Audit, Finance and Risk sub-committee 17 June 2024, the minutes were confirmed as presented.

Audit, Finance and Risk sub-committee 11 Nov 2024, the minutes were confirmed as presented.

Audit, Finance and Risk sub-committee 10 Feb 2025, the minutes were confirmed as presented.

Audit, Finance and Risk Sub-committee 10 Mar 2025, the minutes were confirmed as presented.

Audit, Finance and Risk Sub-committee 10.11.2025 10 Nov 2025, the minutes were confirmed as presented.

Minutes from the following AFR Meetings had all been approved at previous meetings and were brought to AFR to accept them as confirmed and clear them from the BoardPro system.

13.11.2023

12.02.2024

18.03.2024

17.06.2024

11.11.2024

10.02.2025

10.03.2025

This was proposed by David Clapham and seconded by Audrey Sinclair.



Clear AFR minutes from the BoardPro system which had previously b...

Clear AFR minutes from the BoardPro system which had previously been approved at Board.

Decision Date: 9 Feb 2026
Mover: Mr David Clapham
Seconded: Mrs Audrey Sinclair
Outcome: Approved

In relation to the Minutes of AFR 10 November 2025 members would like clarity on 5.1 Action Point "Pension update" which had been cancelled.

The following is the whole Note from the minute of the meeting held on 12 May 2025.

CEMC and DOFDS provided the Pension Review update and contributed to the discussion on the basis that they have no personal interest in the scheme.

Following on from the presentation in December 2024 from Alastair Russell-Smith, Spence and Partners and further liasing with Spence and Partners we now understand that a valuation of the SHAPs scheme will take place in September 2025 which will be important to establish the deficit payments level for all employers and ongoing contribution levels for the Defined Benefit scheme.

We will continue to review the legal status of the pension commitment in our current employment contracts. We can also move ahead with preparing a proposal for a Salary Sacrifice scheme, which would potentially support employees build a better pension pot, while also helping LSHA with reduced NI charges.

Members discussed the proposal and the need to move forward while acknowledging the need to know the rates to enable the staff consultation to proceed in September. CEMC advised that we would come back with a more specific project plan, getting background information to take forward appropriately.

CEMC advised that she'd asked Alasdair about buying out of the SHAPs DB Scheme and this is not something he would recommend.

Noted.

and the subsequent note from 10 November AFR

Following on from Pension Review discussion at 12 May AFR Meeting and update today it was requested that the Pension update be brought to the November AFR.

This has been moved to February 2026 to enable any changes announced in the November Government Budget to be taken into account.

DoFI is now taking the lead on Pension updates.



Members requested clarity on the removed Pension items (notes fro...

Members requested clarity on the removed Pension items (notes from previous meetings copied above). Other than this the Minutes of the AFR held on 10 November 2025 were proposed by Ian Young, seconded by Robin Nairn and approved unanimously.

Decision Date: 9 Feb 2026
Mover: Mr Ian Young
Secunder: Mr Robin Nairn
Outcome: Approved

4. Decision Tracker

4.1 Action List

Due Date	Action Title	Owner(s)
6 Oct 2025	Risk Management & Risk Register Status: In Progress	Ben Thomas
9 Feb 2026	Pension Update Status: Cancelled on 9 Jan 2026	Fanchea Kelly

5. Matters Arising

5.1 Other matters arising

6. AFR Business

6.1 Rent Consultation Results

TESM provided the Report on Rent Increase Consultation Results. 34% of survey participants supported a 3.8% rent increase, 23% were in support of a 5% increase and 43% did not support any increase. Members noted that this represents 57% in favour of an increase.

The main concerns raised related to cost of living pressures, e.g. food and energy costs and households which especially affect those on fixed or low incomes and wages not increasing to the same level. They also advised the priority is to have more heating upgrades and increased energy efficiency measures in their homes.

Members noted that minimum wage and pension increases are higher than our percentage rent increase. They also noted that compared with others RSLs although our percentage is higher, the base was lower, so we are not out of line on the final cost proposed.

Members noted the need to progress with improvements to estates.

Members discussed single occupant households being affected more by housing costs and if there were ways the rent structure could be changed to help. CE advised that there are few one bedroom properties, so single people are often offered 2 bedroom properties meaning they pay for an additional room they don't need. Our policies do allow tenants to take in a lodger with permission.

A Member advised that this is an issue across the board and it may be worth lobbying SFHA to see how we could reassess rents to assist single households.

CE advised that TESM is working on an Action Plan to address concerns raised in the consultation.

11.00am - TESM left the meeting.



Members considered the results of the consultation and made an in...

Members considered the results of the consultation and made an informed decision to recommend to the Board a 3.8% Rent Increase for the year 2026/27.

Decision Date: 9 Feb 2026

6.2 DoFI Update

DoFI provided his update with particular focus on the the DB Pension Scheme contribution rates and a request for Triodos Bank to prepare formal terms for the consolidation of current borrowing and potential provision of additional facilities.

He provided summaries of cash-flow, rental income and arrears, staff costs, pensions and treasury. DoFI advised that although staff savings have helped the budget, they are unsustainable, members discussed and agreed the need to have the correct level of staff provision.

DoFI explained the required changes in contributions to the Defined Benefit Pension Scheme, due to historic scheme deficits. This scheme is closed to new employees and new employees are enrolled in the Defined Contribution scheme. Members discussed the changes required, the split in contribution options and the need for consultation. DoFI confirmed that the paper made it clear no consultation was required. He confirmed that it is a one off historic deficit, but could recur.

A member advised that leaving the scheme would cost us in excess of £340k.

Members discussed the loan arrangements and DoFI confirmed that we are only committing to the current level of borrowing but at a lower rate. Members agreed it was best to make use of the security we have and provide options for the future. The congratulated CE and DoFI for taking this forward.

DoFI also advised that following publication of the AFR papers there has been a similar discussion with Bank of Scotland on a smaller scale, which is included in the Board Paper for 16 February 2026. Members advised that the Board should be made aware AFR has only had a verbal update on this and can decide if it should be approved or taken back to the next AFR.



Board Members :(i) Confirmed that the DB contributions be reduced...

Board Members :

- (i) **Confirmed** that the DB contributions be reduced from 11.6% employer and employee, to 7.1% employer and employee, as from 1.4.26, in line with the current equal split principle.
- (ii) To **proceed** with requesting Triodos to prepare draft terms for current loan consolidation, rate reduction and provision for additional £6 million of funding over the coming three years. With no commitment on using the additional £6m.

Decision Date: 9 Feb 2026

6.3 Quarterly Management Accounts

DoFI provided the Management Accounts to 31 December 2025. He advised that the net surplus for the year to date is £230k, which is £197k above budget. The bank balance at 31st December was £3,957k, including £2,000k of new borrowing drawn down during the month.

Members discussed the cost and life expectancy of heat pumps, and other affordable warmth solutions like the current solar programme which is a solution which once batteries arrive should meet tenants needs and have a longer life span than heat pumps. Batteries are located outside of properties and DoFI has ensured they are covered in our insurance.



Members noted the contents of this report.

Members **noted** the contents of this report.

Decision Date: 9 Feb 2026

6.4 Draft Budget for 2026

DoFI provided the Draft Budget for 2026/27 and outline 5 Year Plan, along with a presentation ([attached to these minutes](#)) summarising the key assumptions, movements from the previous year's plan for 2026/7 and comparisons to the previous 5-year plan.

Members considered the projections and discussed the difference small changes in interest rates could make. Members advised that there didn't look like there being stability in the markets anytime soon and it was advisable to take a cautious approach. They also noted the impact a 5% rent increase on 1st April 2026 would make.

Members advised the improvement in the cash flow after interest is positive, and that cash-flow forecasts are being looked at in more detail by SHR.

Members commented on the improvement which had been made since the Strategy Day in June and the difference this has made to development funds. Members noted the increase in build costs per unit and considered the impact more houses and estates would have and need for additional estate management.

Members agreed to the outline budget being taken to Board for ratification subject to expecting the 30-year plan to potentially be taken to the March AFR.

Members agreed this gives opportunity for Board Members to contribute.



Members:(i) Approved the outline budget to be taken to Board for ...

Members:

(i) **Approved** the outline budget to be taken to Board for ratification, subject to expecting the 30-year Plan going to March AFR and ratification with Business Plan.

Decision Date: 9 Feb 2026

6.5 Performance Report (Quarter 3 October - December 2025)

CE provided the Performance Report, she advised she was looking at a slightly different way of reporting and had prepared this paper prior to the Scottish Housing Network presentation which had used different peer group methodology.

She advised there had been particularly difficult COTs and Voids this year and is looking at ways to prevent this or provide support in future. Members advised that the target should be reviewed to be challenging but realistic, enabling time for cleaning and compliance tests to be carried out.

Members noted the electrical safety figure has dropped and needs to be improved by the end of March.

CE advised we are looking to a different way of reporting complaints which aligns with other landlords. For good practice we could move to closing the complaint at the point of agreeing with the customer the way forward and the work can take longer, but would be monitored.



Members:(i) Noted the contents of the Performance Report. (ii) Ap...

Members:

(i) **Noted** the contents of the Performance Report.

(ii) **Approved** the recommendation to amend the Finance KPI to net rent arrears, and remove the Customer KPI for SPSO complaints.

Decision Date: 9 Feb 2026



Review performance targets

Review targets to ensure they are challenging but realistic.

Due Date: 11 May 2026

Owners: Ben Thomas, Lowri Richards

6.6 Internal Audit Findings and Plan for 2026/27 Report with tracked changes

12.05 - CJ Scott joined the meeting.

CJ provided the Internal Audit Report and advised members of the recommendations.

Members questioned why the Board need to approve procedures and were in agreement that this was not necessary and that DoFI and CE should be able to do that as an internal process. CJ will update Bank Reconciliations and Month end Payroll recommendations and will discuss with DoFI out with the meeting.

A member asked about ongoing recommendations which we're working on and how this compares to our peers. CJ advised we are better than average. This will be regularly reported back to AFR.

CE advised that complaints procedures are being looked at and has been taken to SMT, progress is being made, though not yet complete. Templates for responses are available in HomeMaster.

Members asked if CE and DoFI were confident we have staff resources in place to proceed with the Annual Plan. DoFI advised that we had previously split Repairs and are keen to move forward and get the Asset Management Plan in place.

12.30pm - CJ left the meeting.



Recommendations from wbg Report to be amended as agreed with AFR

CJ and DoFI to meet out with the meeting to confirm the procedures for Bank Reconciliations and Month End Payroll Reports, which members agreed should not go through Board.

Due Date: 20 Feb 2026

Owner: Ben Thomas

6.7 Policies

CE provided the Policy Updates with track changes and advised clean copies will be in the pack for the Board Meeting on 16th.

Procurement, Pensions Scheme and Treasury Management have all been updated to reflect current practice. Risk Management has had a more comprehensive review to align with recent risk management training and risk appetite scoring by RSM with Board members. CE advised that the key Risk Management policy

changes were relating to guidance and advice from RSM and new ways of grading weighted towards impact rather than likelihood.

Members had no changes to make to the policies and will further review the clean version which are approved for taking to the Board on 16 February.

13.15 - Audrey Sinclair left the meeting.



Members reviewed the Procurement, Pension Scheme, Treasury Manage...

Members **reviewed** the Procurement, Pension Scheme, Treasury Management and Risk Management Policies and **recommend for approval** at the Board on 16 February 2026.

Decision Date: 9 Feb 2026

6.8 Strategic Risk Register

CE provided the Strategic Risk Register Report, providing an updated Risk Register for consideration alongside a proposed example for adopting a new format for strategic themes following a review of risks and risk appetite with Board Members (led by RSM in 2025).

CE advised that she had provided commentary and added in an example of how it could work.



Board Members :(i) Considered the updated Strategic Risk Register...

Board Members :

(i) **Considered** the updated Strategic Risk Register in Appendix 1.

(ii) **Reviewed** and **Approved** the proposed adoption of the new Strategic Risk Register framework as exemplified in Appendix 2.

Decision Date: 9 Feb 2026

7. A.O.C.B

7.1 A.O.C.B.

There were no other matters arising.

8. Meeting Close

8.1 Close the meeting

Next meeting: AFR 09.03.2026 - 9 Mar 2026, 10:30 am

Mr Robin Nairn
12 Mar 2026