MINUTES

AFR MEETING

Name:	Audit, Finance and Risk sub-committee
Date:	Monday, 12 August 2024
Time:	10:30 am to 12:35 pm (BST)
Location:	Default Location, Morrison House, Bayfield, Portree
Committee Members:	Mr Robin Nairn (Committee Chair), Mrs Audrey Sinclair, Mr Ian Young, Ms Liz Williams
Attendees:	Alastair MacGregor, Graeme Coull, Jennifer MacInnes
Apologies:	Mr John Watson

1. Opening Meeting

1.1 Apologies

2. Declarations of Interest

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No new declarations of interest were noted.

Liz Williams advised that she would need to check if she had a SHAPs pension

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Due Date: 26 Aug 2024
Owner: Ms Liz Williams

3. Minutes of Previous Meeting

3.1 Minutes of Previous Meeting (17.06.24 - for information)

The minutes from the meeting on 17 June were provided for information as they'd been approved by the Board on 1 July 2024.

A member noticed that an item carried forward had not been included in the decision tracker. CSA advised items usually are carried forward and this was an error and will be added to the next decision tracker.

Item carried forward from previous meeting to be brough forward o...

Item carried forward from previous meeting to be brough forward on next decision tracker.

Due Date: 19 Aug 2024
Owner: Jennifer MacInnes

DOFCS to undertake modelling of a reduced Development Plan in res...

DOFCS to undertake modelling of a reduced Development Plan in response to potential SG budget cuts. (From 17.06.24 Meeting). This was omitted from the decision tracker and to be taken forward.

Due Date: 3 Nov 2024
Owner: Graeme Coull

4. Decision Tracker

4.1 Decision Tracker from Previous Minutes (17.06.24)

5. Matters Arising

5.1 Other matters arising

6. AFR Business

6.1 Quarterly Management Accounts to 30 June 2024

DOFCS provided the Quarterly Management Accounts to 30 June 2024, highlighting some key points. He advised that Development Income is lower than expected due to delays with Campbell's Farm Phase 6, however some should be recouped through the early commencement of the Dunvegan enabling works.

There are currently salary savings of £54k, however this will be spent over the financial year based on staffing decisions made at the last Board Meeting on 29 July.

There is an overspend on the training budget due to the final invoices from the Grow and Thrive Programme being received late and not having been advised at the time of setting the budget.

The sale of a Shared Ownership property has contributed a £100k gain, there will likely be some HAG repayment on this.

The Unity Trust loan is now fully drawn down and we are in compliance with all covenant mandates. Loan portfolio is now at 60% Variable and 40% Fixed. Members would like to see if there is anything which could be moved from variable to fixed, DoFCS suggested further discussions take place as part of the Annual Treasury Management review in the Autumn.

Members asked about reactive repair costs, DOFCS advised that more labour has been allocated based on actual time spent. In addition there have been two high value change of tenancies recently. TM has expressed confidence that targets for cyclical maintenance will be met over the course of the year.

Members were pleased to see the arrears coming down, DOFCS acknowledged this and advised that some of this could be due to seasonal variation.

A Member asked about the variance in National Insurance, DoFCS advised that it has been noticed and FSM is currently investigating this and he will report back on our findings.

Check NI Variance

DOFCS to advise members about the National Insurance variance once FSM has investigated.

Due Date: 30 Aug 2024
Owner: Graeme Coull

6.2 Quarterly Risk Register Report to 31 July 2024

DOFCS advised that there were 5 risks being removed, 18, 19 and 21 were operational rather than strategic. Risk 6 related to Net Zero, which is included in risk 11, so the two were merged. Item 22 was also deemed as being operational in terms of mitigations and overlaps with Risk 3, so these were merged.

One new risk was added relating to the Tele-switch failure and potential impact on tenants with Air source heat pumps and Total Heating with Total Control systems.

Members discussed Financial Development Risk and agreed that although there are only two main contractors that we can't mitigate against every risk. ICE advised that he had identified a few contractors who work Highland wide and DML will make contact with them.

Members discussed Partnership Funding from THC and NHSH and decided it is strategic due to the reputational damage it would cause not having it and that it should be added to the Risk Register.

Members discussed the risks associated with having a new CE in place. ICE advised a number of mitigations have been put in place and he is to put this together as a document for the Annual Assurance Statement evidence bank. Members agreed that this was covered under item 17 "Loss of Key Personnel".

Partnership Funding to be added to the Risk Register.

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Due Date: 16 Aug 2024
Owner: Graeme Coull

ICE to provide documentation of mitigations put in place in respe...

ICE to provide documentation of mitigations put in place in respect to new risks associated with new CE being in place and add this to the evidence bank for the Annual Assurance Statement.

Due Date: 30 Aug 2024
Owner: Alastair MacGregor

Risk 17 to be amended to include having a new CE in place along w...

Risk 17 to be amended to include having a new CE in place along with mitigations being put in place.

Due Date: 26 Aug 2024
Owner: Graeme Coull

Members reviewed the Strategic Risk Register, confirmed that they...

Members **reviewed** the Strategic Risk Register, **confirmed** that they were content with the prioritisation of the individual risks.

Recommended the Strategic Risk Register to the Board for approval subject to the inclusion of Partnership Funding as a new risk and adding risks associated with CE and mitigations under Risk 17 Loss of Key Personnel.

Decision Date: 12 Aug 2024

6.3 Audit Findings Tracker Report to 31 July 2024

DOFCS confirmed the items removed had been completed on the previous Risk Register.

Members advised that AM.4 should be amended to say the work is in progress.

TM to amend risk AM4 to say the work is in progress.

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Due Date: 26 Aug 2024
Owner: Angus MacLennan

Members reviewed the Audit Findings Tracker and noted the changes...

Members **reviewed** the Audit Findings Tracker and **noted** the changes and updates since the last quarter and requested a small amendment as noted above.

Members **approved** the removal of items newly marked as complete.

Decision Date: 12 Aug 2024

6.4 Report and Financial Statements to 31.30.2024

Bruce Hay from RSM UK Audit LLP joined the meeting.

DOFCS noted key disclosure changes since last year including rounding of the accounts to the nearest £1k. He noted new disclosures in notes 12 and 16 relating to the development and sale of Shared Equity Properties.

A member noticed that there were a few points on the Accounts where "(Deficit)" was missing, Bruce confirmed that it should be included and DoFCS agreed to make the necessary amendments.

A member asked for the total EICR costs to be reported to the Board, DOFCS advised he will email this.

Members also questioned the notes on Pensions and also the adjustment against SHAPS. DOFCS will check the date, which may require to be updated, however confirmed that the notes agree to the defined benefit pension disclosure in note 8. Members asked Bruce if he has any view on the SHAPS pension scheme, he advised that his colleague Chris would be better placed to advise and he will follow up after the meeting and share with Board Members.

Members confirmed that subject to the few minor amendments noted they **recommended** approval of the Report and Financial Statements to 31 March 2024 to the Board.

The word "(Deficit)" to be included in the Accounts where appropr...

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Due Date: 19 Aug 2024
Owner: Graeme Coull

DOFCS to email members the total cost of EICR works.

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Due Date: 19 Aug 2024
Owner: Graeme Coull

DOFCS to check the date on the Pensions note.

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Due Date: 19 Aug 2024
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Members confirmed that subject to the few minor amendments noted ...

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Decision Date: 12 Aug 2024
Outcome: Approved

DOFCS to share information provided by Bruce and Chris regarding ...

DOFCS to share information provided by Bruce and Chris regarding the SHAPS pension scheme.

Due Date: 30 Aug 2024
Owner: Graeme Coull

6.5 Audit Findings Report 2023-24

Bruce thanked DOFCS and the team for their assistance during the audit.

He advised members that there were no unadjusted errors and no new audit risks added. The controls and processes were operating as expected. The income assurance balances were within thresholds.

There was one control recommendation in relation to completion of bank reconciliations, which management has agreed to.

Staff members left the room to allow the Board to have a private discussion with the Auditor, Bruce then left the meeting.

Members **considered** and **recommended** to the Board that the Audit Findings report be **accepted** in full.

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Decision Date: 12 Aug 2024
Outcome: Approved

6.6 NWHCE Report and Financial Statements to 31.30.2024

Members considered and recommended approval of the Report and Fi...

Members **considered** and **recommended** approval of the Report and Financial Statements to 31 March 2024 to the Board of NWHCE.

Decision Date: 12 Aug 2024

CE to be made a Director of NWHCE.

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Due Date: 30 Aug 2024
Owner: Graeme Coull

Members would like a third Director for NWHCE, DOFCS confirmed that the CE will become a member.

6.7 Internal Audit Work Plan

Members discussed the work plan and timetable. In response to a member's question, DOFCS advised that none of the audit reports will be available before the Annual Assurance Statement is due in October. The first set of reports will come to the AFR in November.

Members **reviewed** the Internal Audit Work Plan and considered if any changes were needed.

Members **approved** the Internal Audit Work Plan.

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Members **approved** the Internal Audit Work Plan.

Decision Date: 12 Aug 2024
Outcome: Approved

6.8 Pension Review

Members had an in depth discussion about the proposed Pension Scheme External Review - Scope of Work and the proposed timeframe and shortlist.

In response to questions, DOFCS advised that he doesn't know what budget will be required for the consultancy fees at this stage.

Due to the proposed timeframe members advised that implementation of any changes would take place in April 2026.

Of the shortlist of adviser to approach, it was noted that David Davidson of Spence and Partners has retired, we would need to check if they have someone else in post with knowledge of the SHAPS scheme. Also it would be good to see if Chris has any contacts we could approach.

Members agreed that phase one would include reporting to AFR and would exclude staff, who would purely assist in facilitating and co-ordinating meetings if required.

Members agreed that wording for the brief will need to be agreed.

ICE to call Lorna Revell at EVH to find out how many and which other Housing Associations have been looking at SHAPS that may have copy tenders we could use.

DOFCS to follow up with Auditors

AFR to be kept up to date on progress by email

Members agreed that an additional meeting of the AFR sub-committee may be required and that it would be a special meeting to cover this item only.

Members considered the pension review and confirmed that the foll...

Members **considered** the pension review and confirmed that the following action points

- ICE to call Lorna Revell at EVH to find out how many and which other Housing Associations have been looking at SHAPS that may have copy tenders we could use.

- DOFCS to follow up with Auditors
- AFR to be kept up to date on progress by email

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Due Date: 30 Aug 2024
Owner: Alastair MacGregor

DOFCS to follow up with Auditors to see if they have any recommen...

DOFCS to follow up with Auditors to see if they have any recommendations or comments.

Due Date: 26 Aug 2024
Owner: Graeme Coull

AFR to be kept up to date on progress by email.

AFR to be kept up to date on progress by email.

Due Date: 30 Sept 2024
Owner: Graeme Coull

7. A.O.C.B

7.1 A.O.C.B.

8. Close Meeting

8.1 Close the meeting

Next meeting: No date for the next meeting has been set.

Signature: Ian H. Young **Date:** 26-8-24