

BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN
EILEIN SGITHEANAICH LTD
LOCHALSH AND SKYE HOUSING ASSOCIATION

**MINUTES of MEETING of AUDIT, FINANCE AND RISK
SUB-COMMITTEE held on
Monday, 19 June 2023 at 10.30 am by Zoom/in person**

PRESENT: Mr I Young, Chair (Elected Member)
Mrs L Williams (Elected Member)
Mrs A Sinclair (Elected Member)

Mr J Watson (via Zoom) (Elected Member)
Mr R Nairn (via Zoom) (Elected Member)

IN ATTENDANCE: Mr N Clapperton (Chief Executive – CE)
Mr G Coull (Director of Finance and Corporate Services - DoFCS)
Ms J MacInnes (Corporate Services Assistant)
Mrs L MacIntosh (Finance Services Manager)

1. APOLOGIES

None

2. DECLARATIONS OF INTEREST

No declarations of interests were made.

3. MINUTES OF PREVIOUS MEETINGS

The Minutes of AFR Meeting held on 13 February and 13 March 2023 were provided for information.

4. PROGRESS REPORT

DoFCS advised that most items complete, with stress testing for 10 years as well as 30 as an Action for the next Financial Plan.

In relation to Treasury Management, DoFCS advised that RBS are currently offering good rates on bid deposits and therefore there is no urgency to consider deposit aggregation. This will be reported and considered at the November AFR Meeting.

ACTION:-

- (i) DoFCS to provide stress testing for 10 years as well as 30 years for future Financial Plans.*
- (ii) DoFCS to present changes to Treasury Management Policy re: deposit aggregation at November AFR.*

5. OTHER MATTERS ARISING

A Member asked about the progress on the funding review of the Handyperson project. The CE advised that this is in progress and the Council and NHS in discussions about what is to be included in the agreement and to clarify what is currently being delivered. In response to further questions he confirmed that the Board will potentially have to make a decision about cutting services LSHA is currently delivering but not being paid for. CE expects to have a response from NHS by the end of June and will provide an update to the July Board Meeting with proposed actions.

ACTION:-

- (i) CE to Report to July Board on funding of the Handyperson Service.*

6. QUARTERLY MANAGEMENT ACCOUNTS TO 31 MARCH 2023

DoFCS briefly outlined the results for 2022-23 and that the Management Accounts exclude accounting adjustments for the Defined Benefit pensions, giving a like for like comparison with budget. The full year deficit was £28k, which was ahead of the budgeted deficit of £60k.

In response to Members' questions, DoFCS advised that the difference in salaries was due to some turnover and unfilled vacancies through the year.

He confirmed there are challenges with delivery of the Asset Management Plan, including recruitment to skilled positions and access to external trades.

Members discussed the increase in cost of reactive repairs, but noted that the planned maintenance is reduced, so overall the financial picture is good. DoFCS advised that estimates and accuracy of costs may have to be reviewed and that possibly less planned maintenance has resulted in higher reactive repairs. SMT is considering both the short and long-term implications of these challenges and will report to the Board in due course.

In response to a Members' question, DoFCS confirmed that the vehicle cost on the Balance Sheet is low as there is only one purchased vehicle on the fleet, with the remainder being leased.

Rent arrears are increasing as expected due to prevailing economic conditions. Members are interested to see how we compare with the Scottish average figures. A Member asked about the debt recovery process from Stage 1 through to Eviction, DoFCS advised he will ask the Rent Account Manager to provide a short presentation to the Board.

Members discussed Aged Debtors, FSM to report back on what is Care and Repair and the proportion of Highland Council debt and client debt.

Noted.

ACTION:-

- (i) DoFCS to report back on Rent Arrears performance relative to Scottish average, once SHR data for 2022-23 is published.*

- (ii) RAM to provide short presentation to Board on debt process.
- (iii) FSM to report back with breakdown of Aged Debtors.

7. QUARTERLY RISK REGISTER REPORT TO 31 MARCH 2023

The CE provided the Report and advised that all the risks have been reviewed. There were proposed changes in relation to numbering and consistency and a new entry relating to Biomass District Heating Failure.

Members discussed the Risk Register and agreed that:

Risk 1: Internal Audit Report (stock condition) should be added to the mitigating actions.

Risk 9: Amend wording to read "Implement Staff Members Succession Plan and review Board Members Succession Plan"

Further discussion took place in regard to the SMT structure and risk and how this can be mitigated if someone were to leave. Although a three month notice period is required for SMT, we can never assume a handover period will be possible. Considering any business critical role, the CE agreed that there should be a statement of key work priorities, compliance requirements and risks for each role, and this should not be left until the notice period.. CE to take this as an Action Point and come back to the Board.

Risk 11: Members requested that the People Strategy is done urgently and in increments if possible as they recognise it's a large piece of work but also noted they have been waiting 18 months for it. CE advised it would be complete by December 2023.

Risk 18: Members noted that despite the mitigations, the residual risk remains the same. This should reduce once the regulatory issues are resolved.

Risk 24: A Member questioned the quality of design and specification, CE confirmed that our equipment is good quality and that the recent failure was due to another issue. He advised he would like more testing of backup systems and has a meeting with Angus Biofuels this week, at which these issues will be raised.

Members asked about the Board IT equipment, DoFCS advised that while this isn't something which would be added to the Risk Register as a Strategic risk, a replacement system is being looked into with a high priority due to the ongoing equipment failures.

Members **Reviewed** the Strategic Risk Register and **confirmed** that with the few changes noted they were content with the content and prioritisation of the individual risks and **recommended** it to the Board for approval.

ACTION:-

- (i) Risk 1 – Add Internal Audit Report to mitigating actions.

- (ii) Risk 9 - Amend wording to read "Implement Staff Members Succession Plan and review Board Members Succession Plan".
- (iii) Risk 9 – Review mitigating actions for loss of SMT members and other business critical roles.

8. **REPORT AND FINANCIAL STATEMENTS TO 31 MARCH 2023**

Amelia Rafter, RSM Audit Manager joined the Meeting.

In response to a Member's question regarding issues raised by RSM about TPT, Amelia advised that TPT have an accredited team carrying out the work on Pensions note and that she is waiting to hear back from them. RSM anticipate having some additional disclosure wording for the Pensions note by the time of signoff.

LSHA staff left the room to allow Board Members to speak with Amelia Rafter alone. LSHA staff returned and Amelia left the meeting. On return the Chair advised that a discussion had taken place regarding the implications of the PwC findings on TPT. He congratulated the Finance Team for their work advising that RSM had been happy with the quality of data provided and it was good to have an unqualified Audit.

Members discussed the content of the Report and Financial Statements and in response to a query about bad debts being a net write-back, DoFCS advised that the figure was partly due to housekeeping carried out and also a change in the calculation methodology which has moved to a probability-based approach. The Auditor was comfortable with this approach.

Members noted the operating deficit of the Handyman Service on an annual basis and that the one off additional payment was not sufficient.

A discussion took place regarding the purpose of holding Investment/Commercial Properties.

A Member noted minor issues on pages 3, 29 and 30. DoFCS noted and will amend for the final accounts to be signed by the Board.

Members **considered** and **recommended** the approval of the Report and Financial Statements to March 2023 to the Board with the noted amendments.

ACTION:–

- (i) DoFCS to make required amendments to the accounts.

9. **AUDIT FINDINGS REPORT 2022/2023**

The Chair advised that they had a conversation with the Auditor and they had no further questions.

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

10. **NORTH WEST HIGHLAND COMMUNITY ENTERPRISES LTD – REPORT AND FINANCIAL STATEMENTS TO 31 MARCH 2023**

DoFCS provided the Report and advised that the Directors, Ian Young, David Clapham and Neil Clapperton are due to meet next week. He confirmed that the company complies with regulations for dormant accounts. In response to a Members' question, DoFCS advised that it had previously been decided to keep the company dormant as there is potential that it will be used in future.

Members **considered** and **recommended** approval of the Report and Financial Statements to 31 March 20223 to the Board of NWHCE.

11. **AUDIT FINDINGS TRACKER REPORT TO 12.06.23**

Members considered the Register of Audit Findings Tracker Report. It was decided that amendments to be made are as follows:

- Allocation Policy is marked as in progress, change to complete.
- Equalities / People Strategy to be split and timings reviewed.

It was also agreed that CE is to check the revised date for Fire Safety monitoring improvements which was due in December 2022.

In future, once items have been completed and submitted to the AFR they can come off the Report for the next update. Also a cover memo has been requested for future meetings.

Members noted a few items have slipped and would like this to be reviewed to have confidence that issues can be achieved in the proposed timescales.

Members **reviewed** the Report.

ACTION:–

- (i) *Amend progress in Allocations Policy to complete.*
- (ii) *CE to split Equalities and People Strategy and consider achievable timescales.*
- (iii) *CE to check revised date for Fire Safety Monitoring Improvements.*
- (iv) *Items marked complete to be removed.*
- (v) *Review dates to ensure achievable timescales.*
- (vi) *Supply covering memo in future*

12. **INTERNAL AUDIT REPORT MAY 2023 – STOCK CONDITION**

The CE advised that the two actions listed were technically low priority but included one proposed by the AFR earlier in the year, and both would be actioned as soon as practicable.

Members discussed the report and recommendations agreeing that the action timescale of September 2023 was not achievable and should be reviewed by TM. They asked if anything further had been received from the Regulator, CE advised that they had asked to see the minute of this meeting.

Members would oversee delivery through the Internal Audit Tracker Report.

Members **reviewed** the Report and **approved** the management responses and timeframes, subject to comments above.

ACTION:-

(i) Actions to be added to Internal Audit Tracker Report.

13. STANDING ORDERS – FINANCIAL REGULATIONS

Members discussed and agreed that any proposed changes prior to Appendix 4 of the Standing Orders, should be considered by the full Board at the meeting on 26 June.

Appendix 4

An in depth discussion took place and it was agreed that in Appendix 4 the section 2.27 amendments should proceed with the proviso that DoFCS reports back to the Board in 6 months to ensure the system works in practice or make any small adjustments.

Members agreed that there was an inconsistency in 2.26 and 2.27 and advised that "CE" should be changed to "SMT" in 2.26.

Having discussed Appendix 4, Item 5.2 if CSM would be the appropriate person to sign contracts of employment, Members decided to leave this to be decided by the full Board on 26 June.

Item 6.4 change "should" to "will".

Appendix 5

Appendix 5, Item 1.1 - A discussion took place regarding the responsibility and legality of the person terminating an employment contract, it was agreed that ultimately we need to abide by EVH rules and this should be checked. Also reference to key performance standards should remain but be reworded, CE to update.

Annex A

Members decided they would like to check the governance section with Linda Ewart prior to making changes.

Members were content with proposed changes to Housing Services and Evictions.

Members discussed Salary Changes in light of our EVH membership and independent processes for arriving at them, and would like the cost of living increments and regrading to be separated out and reworded.

Annex B

Members noted mismatch of wording, Authority/Authorities, DoFCS will make amendments.

In summary, the Board **considered** Appendix 4, Appendix 5, Annex A and Annex B have been and with the amendments agreed to **recommend** the proposed changes to the Board.

ACTION:–

- (i) *DoFCS to report to Board in Nov/Feb on how the process is working in practice and advise of any amendments required.*
- (ii) *Change “CE” to “SMT” at Appendix 4, item 2.26*
- (iii) *Appendix 4, Item 5.2 to be discussed by full Board*
- (iv) *Appendix 4, Item 6.4 change should to “will”*
- (v) *Appendix 5, Item 1.1 check EVH rules*
- (vi) *Appendix 5, Item 1.1, CE to amend wording of relating to key performance.*
- (vii) *Annex A to be discussed with Linda Ewart*
- (viii) *Annex A, CE to split and reword the section on salary changes.*
- (ix) *Annex B, DoFCS to make amendments to inconsistencies in the use of Authority / Authorities.*

John Watson left the meeting.

14. PENSION SCHEME EXTERNAL REVIEW – SCOPE OF WORK

Members discussed the proposed external review of the Association’s Pension Schemes. They agreed this could be split into 2 separate exercises as there may be no need for staff consultation, if there are no changes recommended. They recognised it’s a contract of employment issue and some employment law issues may be relevant as everyone is not treated the same, agreeing a tender exercise is required and should be done urgently. The shortlist of three pension consultancy firms was agreed. A draft tendering proposal is to be prepared by DoFCS and emailed to the Board.

ACTION:–

- (i) *DoFCS to prepare draft tendering proposal and circulate to the AFR.*

Liz Williams left the meeting.

15. OVERDRAFT AGREEMENT RBS

A member queried the period to which the establishment fee applied and the DoFCS confirmed that it is an annual fee.

Members **reviewed** the overdraft agreement and **recommended** its signing to the Board.

16. **A.O.C.B.**

Members discussed the 9 year rule for Board Members, CE will check the rules with Linda.

ACTION:-

- (i) CE to check details of Board Members 9 year rule with Linda Ewart.*

The meeting closed at 1.30pm.

Chairperson

Ian H. Young