

MINUTES

AUDIT, FINANCE AND RISK SUB-COMMITTEE

Name:	Audit, Finance and Risk sub-committee
Date:	Monday, 18 March 2024
Time:	10:30 am to 11:50 am (GMT)
Location:	Default Location, Morrison House, Bayfield, Portree
Committee Members:	Mr Robin Nairn (Committee Chair), Mrs Audrey Sinclair, Mr Ian Young, Mr John Watson, Ms Liz Williams
Attendees:	Graeme Coull, Jennifer MacInnes, Alastair MacGregor, James Swinnerton, Mr David Clapham
Guests/Notes:	Mike Shucksmith

1. Opening Meeting

1.1 Apologies

2. Declarations of Interest

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3. Minutes of Previous Meeting

3.1 Minutes of Previous Meeting (12.02.24)

Members noted the Minutes which were provided for information only and had been approved at the Board Meeting on 26 February 2024.

4. Progress Report

4.1 Progress Report from Previous Minutes (12.02.24)

DoFCS noted in relation to item 6.1 ('notifiable event') that a discussion had been held with Murray Smith of the SHR who advised that the situation did not constitute a notifiable event. In response to a question about Care and Repair funding, DoFCS advised that approximately £100k has been received recently and that the Care & Repair Manager has reached agreement with Highland Council for more timely payments to be received going forward. CE advised that if necessary he will escalate this with the appropriate officer at THC.

5. Matters Arising

5.1 Other matters arising

6. AFR Business

6.1 Energy Strategy Pilots

James Swinnerton, DM & Mike Shucksmith, DO joined the meeting.

DM gave a summary of the Report. He advised that Power Circle Projects (PCP) have been working on the Energy Strategy and pilot upgrades proposed for Lisigarry Court and Munro Place. There are elements of concern with the pilots.

Members had an in depth discussion with DM & DO answering questions. Members were advised that costings are based on 2023 pricing, so not accurate and the increases in costs of new build projects shows costs can be variable. DM confirmed that the funding application has been applied for, but at this stage we are not committed to anything. He also confirmed there were a lot of other requirements which we don't know the cost of yet and that there will also likely be delays with the Lisigarry project in getting servitudes to use the Highland Council car park for GSHP.

Members added that PCP had also advised there was more work to do, and wasn't aware if it's acceptable to hand over another tranche of work to PCP, or if this would require to be put out to tender. Members advised they would like more information as to what the risks are. They discussed if it would be more sensible to pilot one property and Munro Place rather than risking investing in the whole scheme without knowing if it will provide a solution to the issues. Members found the report very useful, but acknowledged that because these are pilot projects there are many uncertainties.

In response to a member's question DoFCS confirmed that the Financial Plan has the capacity to fund £1m in private finance for the pilot projects. He advised that in his view the bigger consideration is project risk rather than financial (in relation to 2024-25), noting that at this stage we don't know if it would meet the proposed SHNZS. New technology brings more ongoing maintenance costs and bearing in mind the Regulator advised not starting new things, he asked members if this is the right time to proceed. He added that, in his view, PCP has not provided sufficient information nor engaged adequately with LSHA on the financing model.

CE advised that having looked at the Business Plan he would be wary of proceeding. He advised this needs to be a part of the Asset Management Strategy and the risks are not fully accounted for. He advised it would be prudent to put this back for a year to allow necessary background work and risk appraisals to be carried out and consents to be applied for.

Members also considered the risks of not proceeding with Munro Place. CE advised that it is a Regulatory Risk if we proceed without the financial implications accounted for and he would rather get this right in a sensible way.

After further discussion members agreed to keep this in the Financial Plan as a contingent spend, with the option of being flexible as to how the £1m can be best used to improve tenants living conditions in the short term if the decision is reached not proceed with the Pilots. Members noted they would expect to be kept apprised of developments in relation to the Pilots.

James Swinnerton and Mike Shucksmith left the meeting.

6.2 Financial Plan 2024-54

DoFCS outlined the key issues and outcomes Financial Plan for 2024-54. He advised that the trend over the life of the Plan aligns with the Strategic Plan, noting that while the first year is challenging, over the five years the finance metrics are trending as we expect. DoFCS noted that the first year is challenging however it is explainable, and the Plan as presented allows for strategic investment in the Digital Strategy, along with investments in compliance enabling a full review of our Asset Management activities and it also satisfies the Regulator in terms of Stock Surveys.

DoFCS advised that current year staff / income ratios are low but this is unusual and will return to more normal levels by year end. He advised members that the Legal Services Manager, Lesley

Kirkwood, has offered to stay beyond her expected retirement date, until August 2024. The CE added that there is a need for stability and it would be a benefit to LSHA to keep Lesley for longer. Members noted and agreed to the requested change to the Plan.

DoFCS also raised if the existing 3 days per week for the Governance and Compliance Officer is sufficient after the LSM retires, and asked if there is potential to increase the role to full-time. Members noted the request and advised this should be left out of the budget for now, to be revisited once the LSM retires. A Member asked for more information on the role of the GCO.

A Member asked for details of development income, DoFCS provided this information verbally.

A Member raised the issue of overspends. There followed a discussion about financial controls and budget holders having all the information they need to manage their spend against budgets. DoFCS advised that work has been done to improve this in relation to Asset Management, noting that more needs to be done. He noted that Digital Strategy can aid in moving Finance staff from administration to analysis of data.

A Member discussed the Scottish Government cuts to the Housing budget, noting that developments proposed for years two to five could potentially be cut, or delayed. The CE advised that the Scottish Government have confirmed that housing will be prioritised for any top up funding from Barnett consequentials. The DM has a meeting with SG next week and can explore this with them. The Member asked for some work to be done over the coming months to model a reduced Development Plan as a potential consequence of budget cuts.

Members **considered** and **recommended** the Financial Plan 2024-54 to the Board for approval, noting the contingent spend associated with the Energy Strategy Pilot Projects, and allowing for the adjustment to add the LSM's salary up until August 2024. DoFCS will make the necessary amendments and provide the final Financial Plan to be added to the Board pack for the meeting on Monday 26 March.



Governance and Compliance Officer

DoFCS to provide information on the role of the Governance and Compliance Officer.

Due Date: 25 Mar 2024
Owner: Graeme Coull



Development Plan modelling

DoFCS to undertake modelling of a reduced Development Plan in response to potential SG budget cuts.

Due Date: 17 June 2024
Owner: Graeme Coull



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Decision Date: 18 Mar 2024



Financial Plan 2024-54

DoFCS to make amendments to the Financial Plan 2024-54 to reflect the contingent spend reviews subject to future decision and also to add LSM salary up until August.

Due Date: 19 Mar 2024
Owner: Graeme Coull

6.3 Proposed External Audit Timetable

DoFCS advised that RSM are not able to carry out their audit in our usual timeframe and have scheduled it for the week commencing 17 June 2024.

Members noted the change to the external audit timetable. They considered changing the date for the next AFR, but agreed to leave the schedule as it stands.

7. A.O.C.B

7.1 A.O.C.B.

On behalf of the Technical Manager, the DoFCS provided a verbal update on EICR completions. Of the 337 properties included in the tender, 31% have now been completed - representing over 100 properties in the first 5 weeks.

In relation to Private Finance, the DoFCS advised that under the agreement, the second tranche from Unity Trust Bank is due to be drawn down by 31st March. Due to some unforeseen title issues with some of the properties provided for security, we have had to substitute some properties are now awaiting an expedited Title registration with Registers of Scotland. Unity have verbally agreed to provide a 3-month extension to the draw-down date to allow this to be processed.

The Chair of the Sub-Committee advised that SFHA have a Governance Working Committee on Thursday 21 and asked that someone from the Association attends.

The Chair of the Sub-Committee advised that Board Appraisals are due and the Board Chair confirmed that he has had conversations with GCO and CE on how to proceed.



SFHA Governance Working Committee

DoFCS to ensure that a member of staff attends the SFHA Governance Working Committee on Thursday 21 March.

Due Date: 21 Mar 2024
Owner: Graeme Coull

8. Close Meeting

8.1 Close the meeting

Next meeting: Audit, Finance and Risk sub-committee - 17 June 2024, 10:30 am

Signature: Ian H. Young

Date: 29/3/24