

SUB-COMMITTEE PAPER FOR APPROVAL



MINUTES

of the Meeting held on Tuesday 23 January 2024
Virtual meeting

COMMITTEE MEMBERS IN ATTENDANCE:

Victoria Bluck
Craig Morton
Martin Joyce
Adam Turner

APOLOGIES:

Iona Taylor Director of Asset Management

STAFF IN ATTENDANCE:

John Davidson	Chief Executive
Craig Porter	Director of Finance and Business Support
Sandy Young	Director of Housing Management
Tammy Allan	Business Improvement Officer (minutes)

OTHERS IN ATTENDANCE:

Scott McCready – For items 858 to 865

Please note that these minutes have been edited to remove any commercially sensitive or confidential discussions.

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STANDING ITEMS

858	Welcome VB welcomed all attendees to the meeting.
859	Apologies A record was made of apologies from non-attendees.
860	Approval of Previous Minutes – October 2023 The minutes of the meeting held on 26 October 2023 were approved without amendment.
861	AOCB Approval None
862	Declaration of Interest on any Agenda items None
863	Matters Arising/Update None

FOR APPROVAL

864	<p>Internal Audit Reports – Budgetary and Financial Controls, Subsidiary Review & Follow-Up Report Scott McCready (SM) presented the reports to the Audit and Finance Sub-committee, starting with the Budgetary and Financial Controls audit, and noted that Wylie and Bisset gave a strong level of assurance following the audit. SM referred to the budgetary arrangements that are in place and detailed what they are. He followed by informing the Sub-committee that a questionnaire was issued amongst budget holders with positive responses received. A low-grade recommendation was made around training following the audit taking place and 7 areas of good practice points were identified.</p> <p>SM moved on to detail that the review of the Associations subsidiary took place and he informed the Sub-committee the aim of the review was to ensure that the governance arrangements that are in place are aligned with AHA’s arrangements. This was a strong report with only one low grade recommendation made and is in relation to the independence agreement between AEL and AHA.</p> <p>A follow-up review also takes place on an annual basis and reviews the recommendations that have been made and remain outstanding at the end of the financial year. SM detailed that of the 13 recommendations, 9 were fully implements and 4, which were in relation to procurement, are partially implemented.</p> <p>The Sub-committee noted the helpfulness of the report and felt that there are some good points that needs to be followed up.</p> <p>The Audit and Finance Sub-committee noted the internal audit report and recommendations as provided by Wylie and Bisset.</p>
865	<p>Internal Audit Plan 2024-25 SM informed the Sub-committee that the internal audit plan is reviewed annually following discussions with the Association. He detailed how the plan was prepared and noted that it had been agreed that the digital strategy and review of the CRM installation would be replaced with a review of the Associations cyber security and an audit of the DEI strategy.</p> <p>The Audit and Finance Sub-committee approved the Internal Audit plan for 2024/25 from Wylie and Bisset. The audit plan highlights the key areas of review to be undertaken during 2024/25 period.</p>
866	<p>Internal Audit Action Plan Update CP updated the Sub-committee of the progress that has been made against each of the outstanding recommendations and drew their attention to the recommendations that have been implemented over the previous quarter.</p>

	<p>The Audit and Finance Sub-committee noted the inclusion of recommendations in respect of recent audit exercises, as well as progress made in relation to the outstanding recommendations.</p>
867	<p>Outcome of the Annual Rent Review 2024 and Rent Setting Consultation – Proposed Annual Rent Increase 1 April 2024</p> <p>SY informed the Sub-committee of the good response that was received following the received tenant consultation with the response rate being up against previous years. He detailed the reasons behind why he was proposing that the Association opt for the higher rent increase option of 5.4% and noted the in-depth discussions that have taken place at SMT to discuss the impact of RAAC.</p> <p>There were discussions around how the Association compares with others within the G8 benchmarking group both in terms of the proposed increase amount and rent arrears performance over the last year. Both of which the Association has performed well. The Sub-committee queried whether the highest option would be enough to cover services and the work required to cover RAAC and it was noted that, although it's not appealing, some services may need to be reduced.</p> <p>The Audit and Finance Sub-committee approved the rent increase figure for the next financial year (2024-25) be set at the higher option given to tenants during the consultation which was 5.4%</p>
868	<p>Draft Annual Budget 2024-25</p> <p>CP presented the draft budget and reminded the Board of the assumptions that were made in November and noted that due to RAAC, we now need to deviate away from this plan and many services that were budgeted for 2024-25 have been removed, with the most significant change being the removal of all developments other than Blackburn.</p> <p>ACr summarised the executive summary, noting that next year will be difficult. [REDACTED] [REDACTED]. £70k has been allowed for EESSH2 and there is a significant increase allowed to cover bad debts.</p> <p>The Sub-committee acknowledged the level of investment required in terms of upgrade work and RAAC, but it also generated a conversation around being too cautious and potentially scaling back unnecessarily. The Sub-committee were also made aware of discussions which took place at the Asset Management Sub-committee where they were given confidence in the stock with the information gathered during the recent stock condition survey. They also discussed the risk involved with both RAAC and the Jespersion blocks, however they were also looking to ensure that the Association continues to grow.</p> <p>The Audit and Finance Sub-committee reviewed and approved the draft annual budget, and recommends approval of the 2024-25 budget to the Board.</p>
869	<p>Draft 30-year Financial Plan</p> <p>Due to the issues identified with the properties that are affected by RAAC and the potential impact on the Associations budgets, it is proposed that a fully assessed business plan be presented for approval at the Strategy Day meeting in April.</p> <p>The Sub-committee were also made aware of a review that has taken place of the Associations spend taking into account work that needs to be carried out as a result of RAAC. CP also detailed work that was due to be carried out, including window and door replacements in 2031, which will need to be reconsidered. There are also investment plans for both cyclical and capital component replacement, however, it may not be possible to achieve that level of activity.</p> <p>The Audit and Finance Sub-committee acknowledged the work to prepare a draft 30-Year Financial Plan for submission to the next Board meeting for discussion and approved the approach of a fully assessed plan being presented to the next Board for approval at the strategy meeting on 4th April 2024.</p>
870	<p>Treasury Management Strategy</p>

	<p>CP informed the Sub-committee that due to the impact of RAAC, the Treasury Management Strategy will be submitted for approval with the 30-year plan in April. The Sub-committee were also made aware that discussions have taken place with RBS as they hold security on properties that are affected by RAAC.</p> <p>The Audit and Finance Sub-committee noted the Treasury requirements in 2024-25 and the projected existing loan balances through-out the 5-year period. An updated 5-year plan will be provided with the 30 Year plan in April 2024 to the Board.</p>
871	<p>Risk Map: Quarter 3 Review There were no queries from the Sub-committee.</p> <p>The Audit and Finance Sub-committee noted the status of the risk map.</p>
872	<p>Bad Debt Write-Off The report was presented and there were no queries from the Sub-committee.</p> <p>The Audit and Finance Sub-committee agreed that the proposed bad debt write-off/write-off of credit balances should be submitted to the next Board meeting for approval.</p>
INFORMATION PAPERS	
873	<p>Nine-month Management Accounts to end December 2023 The management accounts were presented and there were no queries from the Sub-committee.</p> <p>The Audit and Finance Sub-committee noted the financial position at 31 December 2023. The review and control of finances is both a Regulatory requirement as well as a requirement of our funding from our lenders.</p>
874	<p>Sole Supplier Justification Review CP informed the Sub-committee that the Association had not entered into any sole supplier arrangements since the last meeting.</p> <p>The Audit & Finance Sub-Committee noted the sole supplier arrangements entered into since the last meeting.</p>
875	<p>AOCB None.</p>
876	<p>Date of next meeting The next meeting will be held on Thursday 25th April 2024</p>

Approved by:

Date: