

SUB-COMMITTEE PAPER

FOR APPROVAL



MINUTES

of the Meeting held on Thursday 26 January 2023
Virtual meeting

COMMITTEE MEMBERS IN ATTENDANCE:

Jeremy Hewer
Victoria Bluck
Craig Morton
Adam Turner

APOLOGIES:

Martin Joyce

STAFF IN ATTENDANCE:

John Davidson
Craig Porter
Andrew Craig
Sandy Young
Tammy Allan

Chief Executive
Director of Finance and ICT
Financial Controller
Director of Housing Management
Business Improvement Officer (minutes)

OTHERS IN ATTENDANCE:

A Cowan, Wylie & Bisset – for items 781-787

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

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STANDING ITEMS

781	<p>Welcome VB welcomed all attendees to the meeting.</p>
782	<p>Apologies A record was made of apologies from non-attendees.</p>
783	<p>Approval of Previous Minutes – October 2022 JH queried the wording within Min Ref 769. It currently states that AHA have had a before inflation rent increase. This should read below inflation.</p> <p>The minutes of the meeting held on 27 October 2022 were approved taking into account the above amendment.</p>
784	<p>AOCB Approval None.</p>
785	<p>Declaration of Interest on any Agenda items None</p>
786	<p>Matters Arising/Update None</p>

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787	<p>Internal Audit Reports</p> <ul style="list-style-type: none"> • Complaints Management • Major Incident • Follow up report <p>AC ran through each of the reports and informed the Sub-committee that Wylie & Bisset consider the arrangements that are in place within Almond in terms of compliance with both the SPSO and the SHR regulatory framework. They also looked at the Associations performance against the targets that had been set.</p> <p>AC detailed that in terms of complaints, AHA’s complaints policy is compliant with the SPSO guidance and informed the Sub-committee that there were 7 areas of good practice noted and 2 low grade recommendations were made, however these recommendations were more housekeeping matters and overall it was a good review and that there were no major worries.</p> <p>It was noted that it is reassuring to know that AHA are compliant, however when it comes down to the next refresh, the Association should ensure that it is correct from the customers perspective. However, CP informed the Sub-committee that the audit looked at the Associations previous process and we have recently changed the way that complaints are handled with frontline services taking more control. JD also noted that AHA need to demonstrate how we learn from complaints, and we can use CX feedback to focus on this in order to get recognition.</p> <p>In terms of the major incident review, AC informed the Sub-committee that it was a review of the process that AHA followed in response to the fire in Katherine Street. AC noted that the review was substantial but there were areas of improvement identified. AC also noted that audit was to include how AHA implemented the Business Continuity Plan following the incident.</p> <p>AC advised that 3 medium grade recommendations were made and noted that no benchmarking could be made due to how specific the audit was.</p>
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	<p>The sub-committee noted that that the audit reflects how well the situation was managed and gives them reassurance. There was also a discussion around what the Associations obligation is with regards to rehoming the affected tenants along with WLC.</p> <p>AC moved on to refer to the follow-up report and noted that it went well with 2 recommendations being reviewed with a further one to be reviewed in 2023/24.</p> <p>The Audit and Finance Sub-committee noted the internal audit reports and recommendations as provided by Wylie & Bisset.</p>
788	<p>Internal Audit Action Plan update</p> <p>CP referred to the internal audit action plan and informed the Sub-committee that AHA do complete a trend analysis within the KPI's, but this information isn't explicit within the pack, however this is reviewed at management level. He moved on to advise that we are still working towards utilising Power BI for 2023/24 which will give us the ability to look back on previous years, however this would be dependent on the information and data that we currently hold on the system.</p> <p>With regards to the recommendations within the action plan, CP noted that there are a lot of target dates that are not yet due for implementation and there is only 1 recommendation where the implementation date has been amended.</p> <p>There were no questions from the Sub-committee.</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>
789	<p>Draft Annual Budget including Executive Summary</p> <p>CP highlighted aspects of the draft annual budget and noted the investment that AHA will be making in its stock. CP also advised that the cost reduction has been based on a sub-inflation rent increase for 2023/24 and the Association are having to accommodate for the uninsured element of Katherine Street.</p> <p>ACr moved on at this point to note the income is slowly increasing but this includes the full year income for new properties in Polbeth. He detailed the positives variances within the statement of income against current year forecast which included receivable rent, wider role grant funding, reduced office maintenance costs for the office refit and reductions in loss on disposal of components. ACr then referred to the negative variances which included the bad debt provision and the additional painting as part of the cyclical maintenance contract.</p> <p>CP informed the Sub-committee that next year there may be a small potential increase in covenant surplus within the interest cover calculation, as AHA will not be required to pay a pension deficit. The reason for this is that it is not due to be revalued until the following year.</p> <p>The Sub-committee queried how comfortable SMT were with provisions that are in place with regards to Katherine Street. CP was able to confirm that that work should commence in May and conclude in August. The prices that have been budget are based on current knowledge but until tender prices have been received it cannot be confirmed.</p> <p>The Audit and Finance Sub-committee reviewed and approved the draft annual budget, subject to the Board approval of the staffing complement additions and recommends approval of the 2023-24 budget to the Board.</p>
790	<p>Draft 30-Year Financial Plan</p> <p>ACr presented the 30-Year Financial Plan to the Sub-committee and advised that the results of the recent stock condition survey have added an additional £60m spend throughout the plan. He also noted at this point that in previous years there have been high rates of inflation and AHA have opted for a lower than inflation rent increase.</p>

	<p>The Sub-committee agreed that the 30-Year plan looks sensible along with the assumption around the Jespersion blocks.</p> <p>The Audit and Finance Sub-committee recommended the proposed 30-year Financial Plans for submission to the next Board meeting for approval.</p>
791	<p>Treasury Management Strategy</p> <p>CP informed the Sub-committee that the Treasury Management Strategy is made up of what has been discussed within both the 30-year plan and the 1st year of the budget. He also noted that the Strategy summarises the capital expenditure, what the Associations current portfolio is and how the loans are moving.</p> <p>The Sub-committee noted that the Treasury Management Strategy seemed sensible and highlighted that the Association is in a strong position and that there is also a potential for future borrowing. They also noted that there was a feeling that whilst there are uncertainties in the future, there are provisions in place for this.</p> <p>The Audit and Finance Sub-committee agreed the Treasury Strategy 2023/24 and proposed approval to the Board.</p>
792	<p>Outcome of the Annual Rent Review 2023 and Rent Setting Consultation – Proposed Annual Rent Increase 1 April 2023</p> <p>SY informed the sub-committee that the 2023 rent setting consultation has been completed with a good response rate. The response numbers were good, they were down on last year however SY is not concerned by this as the figures compare with other RSLs. SY advised that we consulted on a 5.9% & 6.9% increase and whilst he expected tenants to opt for the lower amount, this was not the case with a number of tenants opting for 6.9%.</p> <p>SY moved on to advise that we are in receipt of further information from the recent stock condition survey meaning that AHA should not progress with either figure and in fact propose a rental increase of 6.4%. It was agreed that if we proceed with this figure we need to be clear in our communication with tenants as to why we have not opted for either of the figures that were used in the consultation.</p> <p>It was noted that the Sub-committee take comfort that we are looking to progress with a figure that is within the range that was used for the consultation. There was also a discussion regarding the rent harmonisation and the number of tenants who are close to their target rent and the 51 tenants who will not receive a rent increase.</p> <p>The Audit and Finance Sub-committee approves that the rent increase figure for the next financial year (2023/24) be set at 6.4%. This will enable the Association to limit future rent increases to CPI + 1% by increasing income in 2023/24 by circa £60k.</p>
793	<p>Risk Map: Quarter 3 Review</p> <p>CP informed the Sub-committee of the proposed amendments to the risk map and highlighted the new ICT risk around supplier failure. He moved on to advise that it had been brought to his attention that there are a number of other organisations who are also encountering issues with Aareon which could potentially result in a number of RSLs all looking for new providers at the same time.</p> <p>The Audit and Finance Sub-committee noted the status of the risk map ahead of it being reported at the February Board meeting.</p>
794	<p>Bad Debt Write-Off</p> <p>CP presented the report and there were no questions from the Sub-committee.</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.
795	<p>Healthy Homes Campaign SY updated the Sub-committee and asked that they note the virement for the grant funding that was received.</p> <p>The was a discussion around the possibility of tenants being able to borrow dehumidifiers and a possible tool library. SY advised that AHA are looking to implement something similar but for garden tools, but we should always consider anything that would benefit tenants.</p> <p>The Audit and Finance Sub-committee noted the contents of the report regarding a budget virement.</p>
INFORMATION PAPERS	
796	<p>Nine-month Management Accounts to end December 2022 CP presented the management accounts and there were no questions from the Sub-committee.</p> <p>The Audit and Finance Sub-committee reviewed the financial position at 31 December 2022, and the recommended virements. The review and control of finances is both a Regulatory requirement as well as a requirement of our funding from our lenders.</p>
797	<p>Sole Supplier Justification Review CP informed the Sub-committee of the sole supplier arrangements that had been agreed in the last quarter.</p> <p>There were no queries received from the Sub-committee.</p> <p>The Audit & Finance Sub-Committee noted the sole supplier arrangements entered into since the last meeting.</p>
798	<p>AOCB None</p>
799	<p>Date of next meeting The next meeting will be held on Thursday 27 April 2023</p>

Approved by:

Date: