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# Finance, Audit and Risk Sub Committee

Wednesday, 21st February 2024 9:30 am

Russell Square   |   Finance, Audit and Risk Sub-Committee

## Attendees

#### Attended - Board

#### Ian McDonald in the Chair (IMCD), Jimmy Black (JB), Hazel Farquhar (HF), Cheryl Glen (CG), Craig Irvine (CI), Linda McDonald (LMCD), and Isobel McGarrol (IMCG)

#### Attended - Staff

#### Gail Robertson, Chief Executive Officer (GR), Kevin Lynch, Director of Asset Management (KL)Grant Miller, Finance Manager (GM), Jenni Reid, Finance Officer (JR) and Nicola McIntosh, Corporate Services Officer (NMC)

#### Did Not Attend

#### Arlene Grant

#### Stuart Storrie

## 1.0 Apologies, Conflict of Interests & Notifiable Events

Purpose - For Noting

#### Minute by Nicola McIntosh

Meeting commenced at 9.34am.  
  
Apologies received from Stuart Storrie and Arlene Grant.  
  
There were no declarations of interest or notifiable events to report.

## 2.0 Minutes of the Finance, Audit and Risk Sub Committee held on 22nd November 2023

Purpose - For Approval

#### Minute by Nicola McIntosh

Minutes were approved as a correct record.

## 3.0 Fraud Report - Verbal

Purpose - Instructions

#### Minute by Nicola McIntosh

IMCD advised that following a discussion with CT at the audit preparation meeting, this would be a standing item on the agenda as agreed with CT as part of the ongoing audit process.  
  
GR confirmed that there was nothing to report.

## 4.0 Quarterly Treasury Management Report

Purpose - For Approval

#### Minute by Nicola McIntosh

GM presented the Quarterly Treasury Management Report, noting the deposits at 31st December 2023 of £6.8 million.  
  
Members noted the splits of the borrowing between fixed and variable sit within the policy remit.  
  
Each development has been detailed within the report by the Capital Works Manager.  
  
IMCD feels an important issue is the payoff of the Clydesdale bank loan, noting, however, that the balance is higher than discussed at the board meeting last week. £1.5 million rather than £800k previously discussed.  
  
GR confirmed that there is a meeting with Peter Freer from Allia this afternoon and this issue will be raised and we will be looking to engage them to provide consultancy on this matter and future funding options.  
  
[REDACTED – CONFIDENTIAL INFORMATION]  
  
Members noted and approved the contents of the report.

## 5.0 Quarterly Management Accounts

Purpose - For Approval

#### Minute by Nicola McIntosh

GM presented the Quarterly Management Accounts summarising the main points for the period to the end of December highlighting the operating surplus of £1,127,444 million compared to the budget of £676,202 which is a positive variance of £451,239. Turnover to 31st December 2023 of £9,056,840 which is a positive variance of £193,549.  
  
Void loss and bad debt budget is 4% of the gross annual charge is well under budget at £38,853 against a budget of £162,380.  
  
GM advised that there was no spend against the painterwork programme due to it being delayed. [REDACTED – CONFIDENTIAL AND COMMERCIAL INFORMATION]

GM advises the reactive and relet budget shows a figure of £292k, which is a negative variance. Members noted that this shows a false variance as there are £92k rechargeable costs, these will be netted off next year to allow it to show as a truer variance. There are other recoding issues in this budget that have been picked up by the Maintenance Manager that will be recoded at year end.  
  
IMCD asked if we need to take a contingency for voids in the budget to cover relet properties. GR will look back at what was built into the budget for this.  
  
IMCD found Section 7 of the report very helpful, as it shows the covenant figures which is useful along with the gearing. GM hopes to include a loans table in the next report to show the loans, providers, if it is fixed or variable with terms included.  
  
Members like the new format of the report. GM is happy to take feedback and adjust if necessary. IMCD commends the work gone in to producing the new report and the format.  
  
JB noted that looking at the void loss analysis shows Dundee voids costing more than Arbroath which he feels is interesting.  
  
IMCD noted the significant operating surplus from the beginning of the year, even with delays etc. explaining it is likely to be a 7-figure sum surplus. IMCD wondered if this surplus could be used to pay off the Clydesdale loan. GR will come back to the board after the meeting with Peter Freer from Allia.  
  
As part of the Board Training Programme, CT will provide a short training session at the May FAR meeting on understanding financial statements.  
  
Members noted and approved the contents of the report.

## 6.0 Scheme Appraisal and Approval Request for Duriehill, Edzell, Development

Purpose - For Approval

#### Minute by Nicola McIntosh

KL presented the scheme appraisal for Durie Hill, Edzell. As this is a Section 75 development there is no tender requirements to appoint a developer.  
  
WI Talbot were appointed as Employers Agents from the Professional Services Framework at a cost of £18,463.97 inclusive of VAT.   
  
Members noted that this development is due to start on site in March with full completion expected by August 2025.  
  
Board examined the report and the associated appendices and approved the following:  
1. Site Acquisition of £210,000 for 14 plots. This includes the shared equity plots that will   
be marketed and sold near completion.  
2. Acceptance of build costs of £2,709,264.61 (£809,365.61 for shared equity properties +   
£1,899,899 for social rented properties)  
3. Progress with the project to completion

## 7.0 Scheme Appraisal and Approval Request - St Vincents

Purpose - For Approval

#### Minute by Nicola McIntosh

KL presented the scheme appraisal for St Vincents, which is a new build development.   
  
Campion Homes have been selected as the developer and appointed via direct award through the SPA Framework, with Hardies being appointed as Employers Agents from the Professional Services Framework at a cost of £13,400 inclusive of VAT.  
  
A scheme appraisal was carried out and constructive financial discussion took place between Campion Homes and AHA to ensure that build costs were fair and accurate.  
The 30 year scheme appraisal produced a positive NPV of £4,124.01 for 21 properties.  
  
Board examined this report and the associated appendices and approved the   
following:  
1. Acceptance of project costs £4,875,071  
2. Progress with the project to completion

## 8.0 Internal Audit - Treasury Management

Purpose - For Information

#### Minute by Nicola McIntosh

GR presented the Internal Audit report for Treasury Management explaining that full assurance was awarded.  
  
Members noted that there were a couple of recommendations relating to designated authority policy and no specific reference to Finance, Audit and Risk Committee. GR & AG feel that this is covered in the Terms of Reference and Standing Orders Policy which will be reviewed and presented at a future meeting after viewing the SFHA's new guidance.  
  
Financial Regulations Policy is up for review at this meeting.  
  
Members noted and approved the contents of the report.

## 9.0 Internal Audit - Stock Condition

Purpose - For Information

#### Minute by Nicola McIntosh

Members noted that full assurance was awarded for the Internal Audit for stock condition with two priority three recommendations. GR explained that AHA have changed the way inspections are carried out, treating them as whole house inspections, allowing us to gather a large amount of information on our stock. We need to decide where to hold the information we gather and how we report on it. We are potentially looking at appropriate software to help with this and are hoping to view a potential module soon.  
  
IMCD would like to revisit this audit, including asbestos and damp and mould.  
  
Component lifecycles was the other issue raised as the information we had in hub did not match what was in the accounts. This is being considered by AM and Finance.  
  
Members noted and approved the contents of the report.

## 10.0 Update on outcome on Internal Audit Tender

Purpose - For Information

#### Minute by Nicola McIntosh

GR explained that the Tender process was carried out via PCS with only 2 tenders received and Quinn Internal Audit were awarded the contract.  
  
Members noted that this is being treated as a new contract and GR and Alex Cameron will have a contract start meeting to draw up an audit plan for the first 2 years. Alex will attend an upcoming meeting to discuss the audit plan and process and discuss audit issues without the SMT.  
  
Board members agree that if there are any red reports, Alex will attend meetings to report these findings.  
  
Members noted and approved the contents of the report.

## 11.0 Staffing Report

Purpose - For Approval

#### Minute by Nicola McIntosh

GR presented the Staffing Report to the board.  
  
Members noted that a salary benchmarking exercise will take place next year as it will be 3 years since the job evaluation process was completed.  
  
IMCD asked what is classed as work related stress in the categories of sickness absence. GR clarified that it would be someone self-certifying or it being detailed on an fit line.  
  
CI asked if we are aware of anyone planning early retirement to allow for progression planning. GR explains that we are aware and look at every post separately as it comes up.  
  
Members noted the contents of the report.

## 12.0 Policy - Financial Regulations

Purpose - For Approval

#### Minute by Nicola McIntosh

GR presented the policy on Financial Regulations which was a recommendation as part of the internal audit on treasury management.  
  
IMCD thanks GR for re-doing this policy and amending incorrect wording within.  
  
Members noted that there was no fundamental change to the policy and approved subject to minor typo's.

## 14.0 Date of Next Meeting

Purpose - For Information

#### Minute by Nicola McIntosh

22nd May at 9.30am.  
  
Meeting concluded at 11.03am.