

MINUTES OF THE FINANCE, AUDIT & CORPORATE GOVERNANCE COMMITTEE MEETING OF 20th JANUARY 2022 (HELD VIA MS TEAMS)

 **Present**: 1. Susan Mackay

2. Graham Collie

3. Margaret Baxter

 4. Tom Brown

 5. Aileen Crichton

**In Attendance:** Anne Smith, Director of Finance & Corporate Services / Acting Chief Executive

 Neil Harrison, Finance Officer

1. **RECORDING OF MEETING**

 ***RESOLUTION: Committee approved that the meeting be recorded***.

1. **APOLOGIES**

No apologies were received.

1. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

1. **MINUTES OF FINANCE, AUDIT & CORPORATE GOVERNANCE COMMITTEE MEETING OF 4TH NOVEMBER 2021**

***RESOLUTION: The Minutes of the previous meeting of 4th November 2021 were approved as a true and accurate record on a motion from Graham Collie, seconded by Margaret Baxter.***

1. **MATTERS ARISING**
	1. Risk Management Training

The Acting Chief Executive advised Committee that we have a date of 28th January 2022 for the training.

* 1. Treasury Management Deposit Strategy

The Acting Chief Executive advised Committee that it was implemented, but one of the actions was to roll the Bank of Scotland deposit monthly until the new bank funding was available. This was done but for the time being the deposit is being left in the RBS account until the funding is available. Once the loan is available, further decision can be made on where to place the excess funds.

* 1. Internal Audit Services Review

The Acting Chief Executive updated the Committee at the last meeting and Graham Collie had highlighted some areas for review/change within the tender document. Graham’s colleague had also reviewed and suggested some amendments. The tender is currently live and is due back on 28th January 2022. At present, it looks like there are only 2 companies bidding. Thereafter, Susan, Finance Officer and Director of Finance and Corporate Services will score the response.

* 1. External Audit Services Review

The Acting Chief Executive updated the Committee that this tender planned for 2021, but due to the timing with reviewing the internal audit and workload issues, this has not been issued yet.

The Acting Chief executive suggested that this could be delayed for another year or two as this was re-tendered in 2018. There was discussion around how often this service should be re-tendered and it was agreed that, having been re-tendered in 2018, it was not necessary to re-tender again this year.

The Acting Chief Executive advised that the Regulator does request information as to when internal and external audit were last tendered, but it was generally agreed that this could not be expected more often than every 5 years.

*BOARD COMMENTS / DISCUSSION: Susan Mackay enquired where the 3 years originally came from.*

The Acting Chief Executive advised that the 3 years came about as the Association had been of the view that external auditors should be changed regularly. However, procurement rules do not allow the blocking of tenderers on this basis, and therefore it would only be necessary to formally the tender the contract at regular intervals.

*BOARD COMMENTS / DISCUSSION: Tom Brown commented that it is a statutory audit, and they all tick the same boxes, and he did not see a problem. He also commented that it takes some time for a new auditor to understand systems and how the Association operates and that would just be more work for everyone.*

Committee were comfortable for the tender exercise to be deferred.

1. **1ST DRAFT BUDGET 2022/23 (REPORT FROM FINANCE OFFICER ENCLOSED (FOR CONSIDERATION)**

The Finance Officer summarised the key aspects of the Committee report as follows:

* A rent increase figure of 4.2% for all stock, in accordance with the October inflation figure; The Board will be reviewing this at the Board of Management meeting next week, so there is a possibility that this will be firmed up and changed in the 2nd draft budget.
* Assumed void rates at 0.7% which is slightly lower than last year. Looking at the December accounts this may be firmed up on the 2nd draft budget.
* Salaries are budgeted at 2.5% but this is unconfirmed as EVH are still negotiating with Unite so this may have to be firmed up in the 2nd draft.
* The Finance Officer advised that in 2019 we had a couple of Career Ready trainees in the office for 4 weeks in the summer. We have budgeted, again this year, for one trainee through Career Ready program.
* National Insurance is due to increase by 1.25% from April 2022.
* Pensions percentages changed in line with what was agreed between staff and the Board.
* Planned Maintenance proposed spend is £483K. Main items of expenditure are the common areas at Alloa Road for £72K and Bank Street heating upgrade for £75K. These two items were in the budget for this year but have been carried over as they will not be completed in time.
* Reactive Maintenance figures will be firmed up once we have the results from December.
* Expecting insurance costs for the housing properties to have a significant increase due to our claims history. This is according to our brokers.
* Assumption that the Bank of Scotland loan for Elm Grove will be due in February.
* Cash in bank will reduce by £500K, which is in line with what we would normally forecast.

The Acting Chief Executive noted that the Association are completely blind in relation to the salary negotiations between EVH and Unite, and it is most likely that we will not have an answer by the time the budget is finalised, in which case we should increase to 3 or 3.5%.

*COMMITTEE COMMENTS/DISCUSSION: Tom Brown commented that it may be possible to get a steer from Teresa McNally to enquire where things are with negotiations at present.*

The Acting Chief Executive advised that she will contact Teresa to see if she has any advice on this.

The Acting Chief Executive advised that in relation to the insurance, the Association has enjoyed a few years of low premiums, but this year there has been a large claim for a fire, of £45K, and there have also been a number of other water escape claims. £120K has been budgeted, but from further discussion with the broker, they feel that somewhere around £100K might be sufficient, so this can be firmed up for the 2nd draft budget.

*COMMITTEE COMMENTS/DISCUSSION: Susan Mackay enquired about the inflation that has been applied to the reactive and planned maintenance, and she was wondering, taking the assumptions of 2.5%, whether we should be looking at a higher figure given supply issues and timescales.*

The Acting Chief Executive advised that the vast bulk of our reactive and voids contract is with the repairs contractor, and that contract states an increase in line with the budget assumptions.

*COMMITTEE COMMENTS/DISCUSSION: Susan Mackay wondered if there would be a risk contractors looking to renegotiate given the current climate.*

There was discussion around this and it was agreed the contracted increases were appropriate for budget purposes.

*COMMITTEE COMMENTS/DISCUSSION: Susan Mackay wondered if there had been any anecdotal issues from them about being able to get supplies for reactive maintenance at this stage.*

*The Acting Chief Executive advised that she was not aware of any issues.*

*COMMITTEE COMMENTS/DISCUSSION: Tom Brown enquired whether there should be provision in the staff budget for the “acting up” of the Acting Chief Executive and the Finance Officer.*

The Acting Chief Executive advised that this will be discussed at the Board of Management meeting next week and we additional costs will be built int to the 2nd draft budget accordingly.

*COMMITTEE COMMENTS/DISCUSSION: Graham Collie commented that he felt, that in relation to the Acting Chief Executive role, this should be looked at until at least September 2022 and a greater discussion is required to ensure that the Department is not suffering for the next six months or so, and that provision will be required to be made for this.*

The Acting Chief Executive summarised that now December accounts are finalised, which we did not have when the budget was drawn up, this will enable budget items to be firmed up. The rent increase would also be agreed at the Board of Management meting on the 27th January and that would also be incorporated.

The net cash outlay forecast for the year of £575K is broadly in line with our long-term plans we did last June, and we were expecting that there would be a cash deficit this year.

 ***RESOLUTION: The 1st Draft Budget 2022/23 was considered by the Committee.***

1. **STANDING ORDERS AND DELEGATED AUTHORITY REVIEW**
	1. Report

The Acting Chief Executive summarised the key aspects of the Committee report as follows:

* Management Committee has been changed to read Board of Management throughout.
* Wording changed slightly where delegated powers were noted in terms of urgent items of revenue expenditure.

*BOARD COMMENTS / DISCUSSION: Graham Collie enquired whether the Acting Chief Executive was happy with all the changes to staff’s delegated authority.*

The Acting Chief Executive commented that this all seemed to be working well and there were no issues.

***RESOLUTION: The Revised Standing Orders and Delegated Authority was recommended to the Board of Management.***

1. **CORPORATE PROCUREMENT POLICY REVIEW (DEFERRED)**

The Acting Chief Executive advised Committee that this normally is reviewed annually – it was deferred last year due to pending changes in procurement rules.

The Acting Chief Executive advised that there were a number of changes required to the policy and a draft would be brought to the meeting.

*BOARD COMMENTS / DISCUSSION: Graham would have his colleague have a look at this again for the Association.*

 ***RESOLUTION: The Committee noted the deferral of the revised Corporate Procurement Policy.***

1. **COMMITTEE ATTENDANCE**

***RESOLUTION: The Committee Attendance of 80% was noted.***

1. **A.O.C.B.**
	1. Bank of Scotland Loan

The Acting Chief Executive stated that the process has been quite slow and the situation at present is that the Association’s lawyers are currently working with the bank’s lawyers on the security of the 43 properties that are being used as security.

The Acting Chief Executive had a call with the bank’s Treasury Team to have a conversation prior to the loan being drawn down, and the rates look good in that the rates for a five-year fix are virtually the same for a twenty-five-year fix. It would seem to make sense to fix for a longer period.

Expected drawdown date is between 18th and 25th February 2022.

The Acting Chief Executive advised that she would either bring a report to the next Finance, Audit and Corporate Governance Committee for approval for the loan (and any potential fix) or an Executive Committee meeting would be arranged if required.

***RESOLUTION: The Committee noted the update on the loan.***

*BOARD COMMENTS / DISCUSSION: Tom Brown enquired about the bank mandate and signatories.*

The Acting Chief Executive updated Committee that it had been approved at a previous meeting that the office bearers and Property Services Manager and Housing Services Manager would be added to the mandate and former staff would be removed.

The Chairperson could not sign the mandate as she is not an existing bank signatory and therefore the bank had agreed that Tom could sign. This process is now complete and the signed mandate has been sent to the bank.

There was no other business and the meeting concluded at 6.30pm.

1. **DATE OF NEXT MEETING:**  **Thursday 17th February 2022**

**Anne Smith**

**21st January 2022**

**Signed ……………………………………… (Convenor) Date …………......**