

## Meeting Minutes

### Audit Committee Meeting

Wednesday 6 February 2019 at 10.00am in the Leving House, Livingston

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<b>Present:</b>	Bob McDougall (Convener) Bob Hartness Dougie Taylor Frances Wood Janice Flanagan Jean Hamilton	<b>In attendance:</b>	Isla Gray Sharon Brady-Wardrope Carol Bonham Lorraine Utterson* Michelle Proust (Minutes)
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\*From Item 319 onwards

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#### 317 WELCOME AND APOLOGIES

Bob McDougall welcomed everyone to the meeting. Apologies were received from Stan Rae.

A special welcome was extended to Sharon Brady-Wardrope, attending her first meeting of the Audit Committee since her appointment to the position of Interim Operations Director. The Committee congratulated Sharon on her appointment.

#### 318 DECLARATIONS OF INTEREST

Bob McDougall noted a declaration of interest in respect to Item 328 – SHAPS Pension Scheme Update and his position as Member of the SHAPS Employer Committee.

There were no further declarations of interest.

#### ITEMS FOR DEBATE/DECISION/APPROVAL

*Staff member, Lorraine Utterson joined the meeting.*

#### 319 MINUTES FROM THE MEETING HELD ON 7 NOVEMBER 2018

With a minor amendment to the wording of item 307 – Membership of the Audit Committee, the minutes of the previous meeting were confirmed as an accurate record.

**Proposed: Bob Hartness**  
**Seconded: Jean Hamilton**

**320 MATTERS ARISING**

There were no matters arising from the minute of the meeting held on 7 November 2018.

**321 RENT REVIEW**

The Committee considered the previously circulated report which provided an analysis of the key factors influencing the review of rents for 2019-2020 and consideration of the rent increase required to achieve budget requirements and long-term viability.

The quality of the consultation process and the report were commended. The desire to maintain rents at an affordable level was recognised and Table 2 within the report and it was noted that while the proposed % increase meets business needs and generates a reasonable cash flow, it remains lower than the average rent increases presented in the table.

On review of the budget comparison table (Table 4) which set out the budget impact of a 2% and a 2.4% rent increase, the Committee agreed that the 2% increase would not be viable in the longer term.

On consideration of a 2.4% increase, discussion focused on the recommendation of the Regulator that landlords should review all costs and efficiencies and not fall back on rent increase as a default means to increase revenue.

The Committee noted that recent and current reviews of costs and structure across the organisation were identifying areas for improvement and efficiency saving, while also considering the quality of service and properties Horizon would wish to maintain or improve upon. These conversations would continue over the coming year, with findings being reported to the Board upon completion of the individual review processes.

**Decision:**

The Audit Committee recommend to the Board that the following increases are applied from 1 April 2019:

- An increase of 2.2% to rent, service charges, occupancy charges and factoring fees for social rented and shared ownership properties;
- An increase of 4.2% for leased properties;
- An increase of 2.2% to management charges for Access Ownership properties and maintenance charges increased to reflect actual and forecast expenditure.

## **322 DRAFT BUDGET, AND 5- & 30- YEAR FINANCIAL PROJECTIONS**

The Committee considered the previously circulated report which presented the budgets for the 5-year period 2019/20 – 2023/24 and the 30-year Financial Plan, finding the report and associated financial information to be well balanced, well researched and a comprehensive paper.

On review of the report the Committee noted the future requirement to review funding for Access Ownership, with 300k of the 600k budget for this due to be spent by March 2019. It was noted that extending the funding for Access Ownership would involve requesting additional funding from Link, there were no foreseeable obstacles to this, and the relevant reports and authorisation requests would be presented to the Board for consideration at the appropriate times regarding the future funding of Access Ownership.

### **Decision:**

The Committee recommended the Revenue and Capital budgets and the 30-year Financial Plan to the Boar for approval.

## **323 BAD DEBT WRITE-OFF**

The Committee reviewed the previously circulated report which set out the former tenant credits and debts to be considered under the Management and Collection of Debts Policy. Members considered the impact of the individual and consolidated write-offs requested.

The Committee requested that the bottom line figure be included in the information provided on future cover papers for Bad Debt Write-Off reports.

### **Decision:**

The Audit Committee approved the write-off of the debts detailed in the report.

## **ITEMS FOR PERFORMANCE AND RISK MANAGEMENT AND MONITORING**

### **MANAGEMENT ACCOUNTS Q3**

The Committee considered the previously circulated Management Accounts for the period ending 31 December 2018. It was noted that the forecast final out-turn would not vary significantly from the budget and Carol Bonham, Accountant, was commended on the accuracy of her forecast figures.

**Decision:**

The Committee recommend the management accounts for period to 31 December to the Board for approval.

### **INTERNAL AUDIT REPORTS AND MONITOR**

The Committee reviewed the previously circulated report and monitor.

It was noted that feedback on the quality of the Audit had been provided to Scott Moncrieff, and that the feedback had been acknowledged.

**Decision:**

The Audit Committee:

- noted the progress detailed on the action monitor;
- approved the removal of completed actions from the internal audit plan, and
- approved the report from the November 2018 block review and the proposed management responses.

### **RISKS REGISTER MONITOR AND REVIEW**

Members considered the previously circulated report which reviewed the risk register, focusing on areas of change since last approved by the Committee in November 2018.

The risks reviewed were associated with Tenancy Sustainment, GDPR & Data Protection, and a small number of minor changes which reflected current initiatives and policy reviews that ensured consistency.

It was noted that a Risk register Review workshop for Board members would be scheduled for around year end.

It was requested that future Risk Reports for the Audit Committee also include the Top Risks (as is included for the reports to the Board)

**Decision:**

There were no recommendations for significant change in risk levels and the Audit Committee noted and approved the current risk register.

**327 LOAN COVENANT COMPLIANCE Q3**

**327.1 Compliance Report**

The Committee noted the circulated report and were content that all requirements continued to be met.

**327.2 Definitions Report**

The Committee noted the outcome of the review by Nationwide of the Loan Covenant definitions.

**Decision:**

The Committee recommended the report to the Board for approval.

**328 SHAPS PENSION SCHEME UPDATE**

The Audit committee noted the previously circulated report.

**329 ANY OTHER BUSINESS**

There were no items of other business arising.

Date of the next meeting

**The date of the next meeting is Wednesday 15 May 2019 at 10:00 a.m. in Livingston.**