

TRUST HOUSING ASSOCIATION LIMITED

Minute of the Audit and Performance Committee Meeting held on Wednesday 26th July 2023 at 11.30am 12 New Mart Road Edinburgh

Present:

Board Members

Paul McFarlane

Ali Ross

Gordon Laurie

Ian Mitchelmore

David Knight

Ian Gunning

Officers in Attendance

Rhona McLeod, CEO

Zoe Purdie, Director of Finance & People

Jennifer Wallace, Director of Customer Experience

Neil Ferguson, Director of Business Development & Digital

Jackie McIntosh, Director of Assets & Sustainability

Claire Mottram, Governance & Business Support Manager
(Company Secretary)

Gemma Rickman, BDO

Gemma McLeod, BDO

Andy Shaw, AAB

PAUL MCFARLANE IN THE CHAIR

Agenda Item	Detail
1.	Convener's Opening Remarks
1.1	Paul McFarlane, Chair, welcomed everyone to the meeting and noted that they are joined today by Gemma Rickman and Gemma McLeod of BDO, as well as Andy Shaw from AAB.
1.2	Paul extended his thanks to the Committee for starting at an earlier time today in order to accommodate BDO providing Risk Management training to the full Board later this afternoon.
1.3	Paul invited Gordon Laurie, Board Member, to give an update from the earlier Tel Enterprises Board Meeting (25 th July 2023). Gordon confirmed that the TEL Enterprises Audited Financial Statements for 22-23 were approved by the subsidiary's Board yesterday and they were presented with a clean audit. Gordon noted that the £100k surplus was £19k below budget, largely due to property costs, and will be gift aided to Trust as parent company. Gordon referred to the Q1 Financial Review for TEL, with £9k surplus against a budget of £26k and noted that this is due to property costs which do not appear to be recurring in nature and we are in contact with the Council around liability for those charges. Gordon confirmed there were no Mid-Market Rent Voids and arrears noted all had payment plans in place. Gordon added that TEL agreed to close 2 legacy bank accounts with Unity Bank and to open two new accounts with RBS.
2.	Declarations of Interest
2.1	No declarations of interest by those in attendance.
3.	Apologies

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3.1	Apologies were received from Jim Gourlay of AAB.
4.	Audited Financial Statements year ended 31st March 2023 – please see private minutes.
5.	<p data-bbox="352 495 794 524">Annual Internal Audit Report</p> <p data-bbox="204 566 1495 745">5.1 Zoe Purdie, Director of Finance & People referred to the ‘Annual Internal Audit Report’ which concludes the 22-23 plan and notes the 23-24 plan in progress. Zoe added that Trust is currently in the process of scoping out a ‘Damp and Mould’ Internal Audit with BDO and a proposal will be brought back at the next Committee meeting.</p> <p data-bbox="204 788 1495 857">5.2 Ali Ross, Vice Chair, referred to the inclusion of ‘Internal Audit Recommendation Tracker’ at Appendix 1 and noted that this is very helpful and good for visibility.</p> <p data-bbox="204 900 1495 1294">5.3 Ali referred to the use of language for ‘level of assurance’ categories by BDO and voiced that ‘moderate’ and ‘limited’ is quite strong wording. Ali queried if there were any material findings that the Committee should be made aware of, particularly in relation to ‘Care & Support’ where the Care Inspectorate have formerly graded Trust highly. Gemma (R) advised that the Care Inspectorate focus on quality of care provided, whereas the scope of this report was around the training of employees working in ‘Care & Support’ services. Gemma (R) noted Ali’s point around the category labels and added that ‘moderate’ is actually the second highest rating. Gemma noted that this is potentially something she can feedback to BDO for consideration, however the language is in line with their methodology.</p> <p data-bbox="204 1337 1495 1697">5.4 Ali raised the impact of the pandemic on employee training and queried if the lower assurance level was warranted given that Management discussed with the Committee at the time around their awareness of the issue and were working towards resolving this as best possible during and following the Covid-19 restrictions. Ali suggested that it may be beneficial to provide this context within the Audit Report. Gemma (R) advised that BDO found there to be knowledge of the general issue around training to an extent, but not in its entirety. Gemma (R) provided examples of more granular parts of the process which BDO could not be assured Management were aware of, (i.e., in relation to training matrices which were inconsistent across roles.)</p> <p data-bbox="204 1740 1495 1995">5.5 Ali noted that ‘Care & Support’ was a core part of the business for the Committee to look after and queried if there was anything material, they should be aware of, in terms of customers being affected. Gemma (R) advised that this was out of the scope of the Audit, but for BDO, the training is a material issue, raised as a high-risk recommendation as it can obviously have implications. Gemma (R) confirmed that BDO have taken assurance that Management was accepting of recommendations and have put in appropriate responses.</p>

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5.6	Rhona McLeod, CEO, noted that Management was aware that there was an exposure following the pandemic and so Jenny Wallace, Director of Customer Experience and her teams completed health checks across the developments for quality assurance. Jenny agreed and noted that these quality assurance checks were vital for service delivery but agreed with Gemma (R) in that the scope of the audit was around the tracking mechanisms for training. Jenny confirmed that Trust had already started to implement the digital solutions around that but the reason for doing the Internal Audit was to check if there was anything else that they were not aware of.
5.7	In relation to the Care Inspectorate, Jenny advised that the main impact could be around not maintaining the highest grades as was the case pre-Covid, however the Care Inspectorate have been accepting of the pandemic impacts and Trust want to show by way of the Audit that we have taken it seriously, delved into the issues on a deeper level and are working on recommendations. Jenny added that the digital solution and centralised system will be an excellent approach for assurance.
5.8	Decision: Noted the contents of the report.
6.	Board only discussion with external and internal auditors
6.1	Paul asked the Senior Team to leave the meeting room so that the Board could speak to our Auditors in private and he asked Claire Mottram as Company Secretary to remain to take the minutes of the discussion.
6.2	Paul noted that he enjoyed the simplicity of the External AAB Audit Report format and queried if there a way to further simplify the format of the Internal BDO Audit Reports. Gemma (R) advised that BDO have been working on a new reporting format which has been shared with Zoe who has indicated that she would like to start using this going forward. Gemma McLeod, BDO, confirmed that the new format was organised with findings for ‘at a glance’ reading at the front, which included conclusions and useful statistics, as well as references to the relevant detailed background laid out the remainder of the report. Ian Gunning, Board Member, asked if it was possible for the reports to include the use of RAG reporting. Gemma (R) confirmed that the internal audit reports completed throughout the year use RAG on the front page, and it is only this annual paper which has a different format.
6.3	Gordon queried if the external audit process was straightforward, with no concerns. Andy from AAB confirmed that there were no issues or concerns, noting the ease of the collaboration portal used for the collation of information. Andy added that all requests for information were timeously responded to. Ali noted that prior to the external audit, Zoe had commented on having no concerns going in, which shows a clear sign of confidence and reflects very well on the positive work of Trust’s Finance Team, as well as their relationship with AAB.
6.4	Ali asked BDO how Trust compared to other RSLs in terms of Internal Audits.

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	<p>Gemma (R) advised that it is hard to benchmark in light of RSLs having different sizes, cultures and processes, however remarked on Trust's good culture, their positive relationship with Management and the healthy discussions held during audits. Gemma (R) confirmed that Trust was in line with other RSLs who they would deem have a sound control environment. Ali queried if there were any additional areas of internal audit which Trust should be planning. Gemma (R) suggested 'Employee Wellbeing' and 'Equalities and Human Rights' as worthwhile areas explored by others in the Sector. Gemma added that 'Culture' is also a useful audit area, suggesting this would be useful on the back of the re-brand and Time is Now Strategy.</p>
6.5	<p>Gemma (R) referred back to the discussion held under Item 4 relating to the assurance level categories, noting that 'moderate' is a good outcome and is second highest. Gemma (R) advised that BDO are thorough, and it is understood that they complete more testing than other audit providers which is potentially why Trust are seeing more 'moderates' now than 'substantial' but there is nothing causing her significant concern in comparison to other RSLs. Paul noted that Trust chose new auditors and BDO in particular as the Committee were keen to ensure they had someone new with a fresh perspective and to present challenges which will in turn aid improvements. Ali agreed and noted this was a positive aspect.</p>
6.6	<p>Ian Mitchelmore, Board Member, referred to the comprehensive nature of the 'Risk Register'. Gemma (R) raised the importance of the Committee having visibility of this register, adding that other organisations often include a summary table at the front noting changes, for efficient user reading. Ian (M) agreed this sounded beneficial and noted the importance of having the highest risks at the top of the register as well.</p>
6.7	<p>Gemma (R) confirmed that her handover process over the last three months has been thorough and expressed her confidence in Gemma (M) as her successor.</p>
6.8	<p>Andy from AAB raised the importance of succession planning within Finance Teams for the completion of an external audit. Paul agreed that businesses need to keep that in focus and discussion was held around Trust's 'People Strategy' which included plans for a Talent Development Programme. Andy confirmed that this wasn't a particular concern for Trust but is worth raising and considering.</p>
6.9	<p>Gemma (R) confirmed the Internal Audit process has been positive and they have a good, constructive working relationship with management and employees, adding that both parties got a lot out of the relationship. Gemma (M) confirmed great engagement from Trust and noted that it's great to see Trust using BDO as a training resource, as with the Risk Management training later today.</p>
6.10	<p>The Committee expressed their appreciation to both AAB and BDO for their work during 22-23.</p>

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7.	Quarter 1 2023/24 – Performance Report
7.1	Neil Ferguson, Director of Business Development & Digital, advised that the performance report related to Trust’s operational performance for Quarter 1 2023/24. He noted that the report follows the regular format, with the KPI suite reported by exception within the parameters of a quarterly downward trend; not performing well against target; or any other areas that the Leadership Team wished to flag to the Committee.
7.2	Neil moved on to the exception reporting, with the first performance area to highlight being complaints. Neil noted that 91.7% of Stage 2 complaints were resolved within timescales, which is below the proposed 23-24 target of >=95%. Neil noted that the Q1 performance is based on 12 complaints and noted that having lower numbers of complaints means that even small numbers out with timescale can have a big impact on the overall percentage. Claire confirmed that there was only one complaint out of timescale, and this was within the General Needs/Amenity stock which explains the 75% result broken down for that part of the business. Claire noted that this equated to 1 out of 4 in timescale.
7.3	Jackie McIntosh, Director of Assets moved on to note that 90.6% of properties have a valid EICR (certificate). Ian (G) queried the performance sitting below 100% and asked if there was a way of predicting the properties coming up that need new certification. Jackie confirmed that this was a new requirement which came in Feb 2022 and a rolling programme was started which will continue on a 5-yearly basis. Jackie confirmed that there are no concerns regarding progress and EICR will always be within the exception reporting due to the nature of the KPI. Jackie added that more remote properties, further from the central belt can present additional challenges for access. Gordon queried the performance remaining the same percentage as year end and asked whether this indicated no movement since the end of 22-23. Jackie confirmed that there has been movement and it will be due to a mix of new certifications being matched with new properties coming up for renewal. Jackie added that there are additional properties where the EICR has been completed but Trust do not yet have the paperwork back from the contractor. Jackie noted that it was best practice to avoid including them before certificates had been received.
7.4	Jackie advised that, for Q1, medical adaptations were completed in an average of 127 days which is higher than year-end (65 days). Paul noted the good performance at year end and queried if Trust were confident the result will improve. Jackie answered yes, noting that Q1 is often skewed because of the way the process works - with referrals received during a period where funding has run out and Trust is waiting on new funding for the year being confirmed and received. Gordon agreed, noting that this has been discussed in previous years.
7.5	Gordon queried if the legacy backlog had been cleared. Jackie confirmed that all longstanding adaptations had been addressed and Trust were progressing with the Arran adaptations discussed at the last meeting which has experienced delays due to being let down by the original contractor on the island.

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7.6	<p>David queried if the funding received is based on a set amount or on number of applications received. Jackie explained that set funding is received from Scottish Government and both Edinburgh and Glasgow City Councils each year which will, in part, be based on demand and with Trust's customer demographic and historic high demand, Trust receives a healthy budget. Rhona noted Trust's positive history and reputation with funders for completing high numbers of medical adaptations.</p>
7.7	<p>Jenny noted that 'Days to Let' is up at 75 days which is above the proposed target for 23-24 (65 days). Jenny referred to the background context for this KPI, noting that this is actually positive news following progress on long term voids. Jenny noted that the lets included a couple of properties 750+ days void, one property 1000+ days void, several between 250-500 days void and some over 100+ days void. Jenny confirmed that ten long term voids were let in total, and this reflects the recent work with Assets around making these properties more attractive, as well as the marketing push and Open Days held. Jenny noted however that the adverse consequence is the impact on this KPI, adding that if these were removed, Trust would be much closer to the target.</p>
7.8	<p>Ali expressed her admiration on getting these long voids let. Paul remarked on the recent new build properties in Wishaw and their modern aesthetics, noting that other voids may be looking a bit tired, and this may be having an impact on lettable. Paul queried the Assets work completed and noted that this learning should be replicated in the future. Jenny advised that Trust have converted studios into 1-bedroom flats where the footprint has allowed. Ian queried how long a property would need to be void before options such as selling off was considered. Jenny advised that often these longer voids are flats within developments so this was not a viable option. Jackie added reference to the Covid-19 legacy backlog as context for this KPI. Jenny noted that there are currently 63 properties over 100 days void and confirmed that these are a priority whilst the team are still processing easier wins to keep turnover going where there is more demand. Zoe referenced the 'Lets versus Termination' information within the Performance Report, noting that this was added to show the turnover. Jenny added that for Quarter 1, Trust let 1 more property than terminations received. Gordon noted that the additional void breakdown is beneficial but raised that the overall 'Days to Let' figure of 75 days is the figure reportable under the ARC return. The Committee expressed their thanks to the operational teams and recognised the hard work behind this KPI.</p>
7.9	<p>Jenny noted that 29.3% of tenancy offers were refused in Quarter 1 which is higher than year end 22-23 (17.3%). Ian (G) queried the trends around refusal reasons. Jenny advised that property size, change to personal circumstances and cost are the top three reasons. Within that, the cost is a newer trend coming through on the back of cost of living. Jenny noted that Trust have recently added an additional half post for Welfare Benefits Advisor to aid income maximisation. Gordon remarked on the refusal contrast with the news content at present around demand for housing. Rhona added that Trust will be looking at 'Heat with Rent' as a trend. David remarked that the underlying message is that people are</p>

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	<p>struggling to afford the cost of renting properties. Ian (M) queried if Trust knew what happens to those applicants' refusing properties. Jenny advised that this was not the case, but it could either be that they stay where they are, or they find alternative accommodation. Jenny added that we do ask if the applicant wants to stay on the list. Ian (M) queried if there is anything done to applications with several refusals. Jenny advised that if there were consistent refusals, the application may be deferred for several months.</p>
7.10	<p>Jenny advised that 3.78% of rent was lost due to void properties for Q1 YTD, which remains within the proposed 23-24 target, however this KPI has experienced an increase from year end 22-23. Paul remarked on this being above the 22-23 Scottish Average. Jenny noted that Trust has a higher void turnover due to our customer demographic and service provision. Neil confirmed that benchmarking is similar for other RSLs with a similar provision.</p>
7.11	<p>Jenny moved on to note that 'Gross Rent Arrears' is also up from 1.67% at year end to 2.81% Q1 YTD, which is marginally within the proposed 23-24 target of <=3.00%. Jenny explained that Phase 1 of the Rubixx implementation occurred in the first quarter and saw all Wishaw & District stock and processes moved over from Omniledger. Jenny noted that a slight adjustment may occur for this KPI due to some teething issues with Rubixx whereby there was a delay in the benefit values being entered for June 2023. Jenny advised that these reconcile into Quarter 2 and she does not expect that it will make a material impact to the figure. Paul queried when the remaining Trust stock would be moved over into Rubixx. Jenny confirmed that this will be happening later this year and she expects this to take a large portion of staff resource and focus. Zoe noted that this remains well within the Scottish Average for 22-23. Jenny added that this reflects our customer demographic who tend to prioritise rent payments during monthly budgeting. Ian (G) queried if all Wishaw & District processes were now within Trust IT systems. Neil advised that the only one left is time attendance and that will be merged in November 2023. Gordon asked if the Committee could be provided with the past five Quarters on the KPI graphs. Claire confirmed that this can be taken forward.</p>
7.12	<p>Jenny advised that there were two food hygiene inspections during Quarter 1, with one failure due to the inspector recommending an upgrade to the ventilation system of one of our domestic kitchens, which has now been actioned. Jenny confirmed that the upgraded ventilation systems are in all our commercial kitchens. Gordon queried if the inspector would return to assess compliance. Jenny advised that the kitchen is now compliant, but they may return to visit. Paul queried if residents would be notified. Jenny advised that there will have been transparency at the development about this and residents would have been aware of the inspector visiting and the contractor coming to do the works.</p>
7.13	<p>Zoe noted a positive improvement in Q1 for staff absence with 5.43% YTD. Zoe added that both Office and Development absence have come down within our proposed 23-24 target of <=7.00%. Zoe noted no concerns with short term absence and advised that there has been a significant focus on the long-term</p>

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7.14	<p>absence which is the driver of the higher absence percentage – Zoe advised that this time last year this was up to 28 people off long term, and this is now 11. Paul asked if these were people who have now left Trust. Zoe advised that there is a mix of those who were able to return to work following their long waits for operations on the NHS, and also a number of capability dismissals for those approaching a year’s absence.</p> <p>Decision: Noted the contents of the report and performance against our operational KPIs for Q1.</p>
8.	Cyber Security Update - <i>please see private minutes.</i>
9.	Risk Register - <i>please see private minutes.</i>
10.	<p>Health and Safety</p> <p>10.1 Jackie summarised the key points of Item 10 on Health and Safety, noting the new ‘accident & incidents’ system rolled out as part of a previous audit recommendation which has led to an increase in reported accidents. Jackie noted that this is positive in relation to increased oversight and better reporting. Jackie also referred to the Health and Safety policy update at 3.1 and the new Fire Safety Policy included as an appendix in the pack. Jackie also noted the actions summary on the back of the Business Continuity Plan Scenario Testing Day in Glasgow earlier this Summer.</p> <p>7.2 Gordon remarked on the number of accidents reported for staff around customer behaviour (i.e., aggression) and queried if Trust involve the police on these occasions. Jackie agreed and noted that if police were involved, the incident would be included in the Committee’s report. David raised the scaffolding incident and his relief that this wasn’t more serious. Jackie confirmed that this problem had been rectified.</p> <p>7.3 Decision: Noted the contents of this report.</p>
9.	<p>Previous Minute of the Audit and Performance Committee Meeting of 25th May 2023.</p> <p>9.1 Minutes unanimously agreed. Proposed by Paul, seconded by Ali.</p> <p>9.2 Decision: Approved as a true and accurate record.</p>
10.	<p>Action Tracker</p> <p>10.1 Discussion held on the action tracker and what items can be greyed out as completed.</p>
11.	Any Other Business

Agenda Item	Detail
11.1	Paul wished Gemma (R) best of luck in her new job.
12.	Date of Next Meeting – 7th December 2023 (in person at the Edinburgh office)