


Meeting	Shropshire Towns & Rural Housing Limited Committee Meeting	 Shropshire Towns and Rural Housing
Date	25th July 2023	
Time	14:00-15:30	
Location	MS Teams	

Members Present:	
Tony Deakin (TDk)	Chair, Independent
Mark Jones (MJ)	Vice Chair, Shropshire Council
Emma Jones (EJ)	STAR
Kath Vose (KV)	Internal Auditor Shropshire Council
Steve Robinson (SR)	Independent
Harpreet Rayet (HRa)	Managing Director
Paul Hayward (PH)	Co-optee
James McLarnon (JM)	External Auditors Engagement Lead
Kevin Williams (KW)	Interim Voids and Lettings Manager
Rob King (RK)	Interim Finance Consultant
Jat Dhadwal (JD)	Interim Compliance Manager
Barry Hanson (BH)	Internal Auditor Shropshire Council
Bill Devitt (BD)	External Auditor
Catherine Young (CY)	External Auditor
Nicholas Burton (NB)	External Auditor
Kiri Gillham (KG)	Minutes ONLY (external contractor)
Apologies	
Ros Bridges (RB)	Corporate Director
Andy Menzies (AM)	Head of Finance

Minute No.		Who	When
1.	<u>Apologies</u> Ros Bridges Andy Menzies		
2.	<u>Minutes of Meeting Held 4th May 2023 & Matters Arising</u> The Committee approved the previous meeting's minutes as a true record with no comments or questions raised. All matters arising would be addressed through the agenda items.		
3.	<u>Health & Safety Update</u> KW provided an update around health and safety, reporting that there were no serious incidents in the period from April to June. However, there were six recorded minor incidents, five of which occurred within		

	<p>the grounds maintenance service, and one within the responsive repairs service. The incidents mainly involved collisions and impacts. Three incidents were related to vehicles colliding with stationary vehicles, and two incidents involved employees being struck by fallen or moving objects, primarily within the grounds maintenance team. Additionally, there was one slip or trip incident reported. In response to the minor collisions, the company plans to remind their operatives to park safely and at a sufficient distance from other vehicles. This type of incident is not considered a common occurrence, and the previous year's incidents did not show any particular trend in this area.</p> <p>The attendees acknowledged the report and had no further questions or concerns.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Remind operatives to park safely and at a sufficient distance from other vehicles to prevent minor collisions 	<p>Relevant persons</p>	<p>ASAP</p>
<p>4.</p>	<p><u>Strategic Risk Register Update</u></p> <p>HRa presented an update on the strategic risk register. He acknowledged past feedback regarding the identification and flow of information into the register. To address this, a short report was added to the front of the register outlining changes made based on consumer feedback from quarter one. The current register includes 12 identified risks, with the newest one being the self-referral discussed in the May Committee meeting. Scoring adjustments were made for several risks, most notably for the cultural changes resulting from staffing and resourcing, now scored at 12, and the continuing unknown around the sustain contract, which received an increased risk score as well.</p> <p>A few Committee members raised concerns about not having received the complete risk register and asked for clarifications. Some risks mentioned included challenges in recruitment and attracting talent from outside the sector, and updates on the self-referral process.</p> <p>The Committee agreed to schedule a virtual meeting in September to discuss risk appetite and better understand the complete risk register. It was also decided that the register would be shared in an Excel format in the future to avoid formatting issues.</p> <p>Actions(s):</p> <ul style="list-style-type: none"> • Share the complete risk register with all Committee members to address concerns about missing information. • Arrange a separate risk session with the FAR committee to discuss the risk register. • Schedule a virtual meeting in the Autumn to discuss the board risk appetite and gain a 	<p>HRa</p> <p>HRa</p> <p>Relevant persons</p>	<p>ASAP</p> <p>ASAP</p> <p>Sept 23</p>

	<p>comprehensive understanding of the complete risk register.</p> <ul style="list-style-type: none"> • Share the risk register in an Excel format in the future to avoid formatting issues. 		ASAP
5.	<p><u>30 Year Investment Plan</u></p> <p>HRa updated the Committee on the Investment Plan, commenting that the validation work with samples had been completed to understand the amount of investment required to invest in the stock over the next three decades. The investment plan assumes around £20 million for Energy Performance Certificate (EPC) work up by 2030 and approximately £18 million for compliance works over the same period. Using an NPV calculation, the investment would amount to just over £48,000 per property, totalling £274 million for the entire stock. This aligns with industry standards and represents a marked increase from the original business plan, which had an investment of about £127 million, or £32,000 per property. The new plan is fully costed and externally validated, covering over 85% of the stock.</p> <p>During the discussion, TDK raised two points – firstly that some organizations have adjusted lifecycles based on tenant personas, taking into account factors such as usage patterns. HRa responded that further validation and assessment would be needed in the future, especially considering the recommendations from the social housing white paper and decent homes two</p> <p>The second point related to the interaction between the investment plan and the financial business plan. It was suggested that including net zero considerations could significantly impact the funding needs. At present, the plan includes £20 million for EPC C work and £18 million for compliance, but including net zero could potentially increase the funding required to between £119 million to £250 million. TDK noted that a business plan could not potentially accommodate this, especially given the current rent policy position from the local authority. Overall, the Committee welcomed the availability of the investment plan and recognized it as a significant step forward.</p> <p>The report was noted and accepted.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Consider including net zero considerations in the investment plan to potentially increase the funding required. Assess the impact on the financial business plan and its ability to accommodate the additional funding needs. 	HRa	Dec 23

6.	<p><u>Draft STAR Statement of Accounts 22/23</u></p> <p>JW (in lieu of RB and AM), fielded questions from the Committee members. Some minor points were raised, such as updates needed for the company information section and the inclusion of the senior management team rather than just directors. The need to include tenant satisfaction in the performance report for a balanced view was also suggested.</p> <p>Additionally, a question about the pension assumptions was raised, particularly regarding the increase in mortality rate assumptions. The auditors explained that nationally, there have been fluctuations in mortality rates due to COVID, leading to blips in assumptions across pension funds. However, the local authority's internal actuaries reviewed the assumptions and found them within acceptable parameters.</p> <p>The Committee also discussed the reserves of around £6 million and the need to have a clear framework or policy for utilizing and spending them. The Committee identified some potential priorities for utilizing the reserves, such as carbon reduction, staffing, and supporting the development programme. However, they agreed that a more structured approach and golden rules for reserve utilization should be developed and presented to the Committee early in the new year..</p> <p>Overall, the Committee was satisfied with the quality of the accounts and decided to continue with the process, allowing for a final review and sign-off by Steven, the delegation to which was approved by the Committee. The meeting concluded, and the statement of accounts was progressing towards its finalization.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Update the company information section and include the senior management team in the performance report. • Develop a clear framework or policy for utilizing and spending the reserves of around £6 million. Identify potential priorities for reserve utilization, such as carbon reduction, staffing, and supporting the development program. Present a structured approach and golden rules for reserve utilization to the Committee in the future. • Finalize the statement of accounts and conduct a final review and sign-off 	<p>RB/AM /JW</p> <p>RB/AM</p> <p>RB/AM</p>	<p>ASAP</p> <p>Oct 23</p> <p>ASAP</p>
7.	<p><u>DRAFT External Audit Findings 22/23</u></p> <p>JM thanked the absent RB and AM for their support and responsiveness during the audit process. The report outlined the areas of work that still needed to be completed, which included finalizing the pension fund</p>		

	<p>audit, resolving outstanding queries, and completing the ongoing concern review.</p> <p>The significant risk areas, such as management override of controls and the pension fund liability, did not raise any issues so far. However, the audit team identified some points related to debtors and bad debt provisions that required attention. They recommended improving the review process for older age debts to ensure proper impairment assessments.</p> <p>Additionally, the auditors found unrecorded liabilities related to certain capital transactions that had not been accrued for in the financial statements. This resulted in an adjustment to the accounts to recognize both the expenditure and the income related to the recharge from the council.</p> <p>Overall, the audit was deemed uncontentious, and the auditors anticipated issuing a clean audit opinion. The report also reaffirmed the audit fees and the measures taken to ensure independence and ethics compliance.</p> <p>TDK expressed his satisfaction with the comprehensive work and credited RB with the successful audit. The item concluded positively, and the sign-off was expected to be completed once all outstanding matters were resolved.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Improve the review process for older age debts to ensure proper impairment assessments for debtors and bad debt provisions. • Address the unrecorded liabilities related to certain capital transactions and make adjustments to the accounts to recognize the expenditure and income accurately. 	<p>AM/RB</p> <p>AM/RB</p>	<p>ASA P</p> <p>ASA P</p>
8.	<p><u>Compliance Policies</u></p> <p>JD provided a brief overview of the policies, acknowledging that they were technical documents and that he was not expecting to go into minute detail. The main focus was on the methodology and ensuring best practices and British standards were met, with a consideration of how the policies would be implemented within the organization.</p> <p>Some concerns were raised about the responsibilities outlined in the policies and the need to clarify whether all responsibilities listed were solely the responsibility of the Committee or if some should be shared with other</p>		

	<p>teams or the council. It was agreed to revisit the roles and responsibilities to ensure clarity on this matter.</p> <p>It was also highlighted that a review date for the policies should be included to ensure they are regularly updated and that a compliance log with all policies listed should be created, with clear responsibilities and review dates, to actively manage and monitor compliance effectively. The Committee requested that regular updates on compliance be provided to the executive Committee on a quarterly basis and to the Committee annually, along with any other relevant policies.</p> <p>The Committee also discussed the need to stay up to date with best practices and legislative changes, seeking advice from compliance consultants, legal advisors, and trade bodies. It was suggested to subscribe to newsletters providing updates on compliance matters.</p> <p>Regarding compliance management, the Committee emphasised the importance of internal audits to ensure policies are being followed and that best practices are adhered to without unnecessary added costs. The discussion also touched upon the challenges of recruiting for the compliance role.</p> <p>Finally, members of the Committee expressed the need for the compliance information to be externally validated, particularly the fire risk compliance information. They requested regular updates on compliance matters every 3 to 6 months.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Revisit the roles and responsibilities outlined in the policies to clarify whether all responsibilities sit • Create a compliance log with all policies listed, including clear responsibilities and review dates, to actively manage and monitor compliance effectively. • Provide regular updates on compliance to the FAR Committee on a quarterly basis, along with any other relevant policies. 	<p>TF</p> <p>RB</p> <p>TF</p>	<p>Sept 23</p> <p>Sept 23</p> <p>Sept 23</p>
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<p>9.</p>	<p><u>Financial Rules Update</u></p> <p>HR raised the topic of the currently underway process updating the financial rules, standing orders, and financial regulations within the organisation, and explained how the approach being taken is a bottom-up approach, starting from the start-up and how services are offered to different areas within the business. The aim is to create a complete package that outlines the financial structure and standing orders for the organization.</p> <p>The Committee was assured that the work being done is comprehensive and will be presented as a clear and comprehensive report at the next meeting. The report will outline the framework for financial rules and standing orders, identifying areas of improvement and highlighting areas that are working well. Regular updates will be provided to the Committee as the work progresses.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Complete the process of updating the financial rules, standing orders, and financial regulations within the organisation using a bottom-up approach, starting from the start-up and how services are offered to different areas within the business. 	<p>RB</p>	
<p>10.</p>	<p><u>Contract Management Update</u></p> <p>A discussion about the contract management update took place, and it was acknowledged that there have been issues with loose contract management and payments related to external contracts. The organization has experienced challenges with managing contracts effectively, and it has led to some complaints and concerns from residents.</p> <p>The new executive team is now aware of the problem and is taking action to address the issues. They have conducted post inspections, implemented a better cost model, and are re-evaluating the performance strategy for contract management. The team is also committed to rectifying the problems and ensuring better oversight of contracts going forward.</p> <p>The lack of inspections and formal complaints from tenants was a concern, and the team is now focused on inspecting the work being done to ensure quality and customer satisfaction. The aim is to increase the level of inspection and engagement with residents to address any issues proactively.</p> <p>One of the key areas of improvement is to establish a contract register and an assets and liabilities register to better manage and track contracts within the</p>		

	<p>organization. Overall, the team is determined to improve contract management and ensure better outcomes for the organization and its stakeholders.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Address the issues related to loose contract management and payments by implementing better oversight and monitoring of external contracts. 	<p>Executive Team</p>	
<p>11.</p>	<p><u>Development Appraisal Parameters</u></p> <p>The ALMO has worked with SDS, a reputable development appraisal system supplier, to establish industry-standard development appraisal parameters. The proposed changes include a 50-year payback, starting investment works from year 11, changing the level of loan (LOL) methodology to capital and interest, removing the NPV discount rate risk, considering service charges within the calculation, and eliminating assumptions about shared ownership staircasing.</p> <p>The golden rules for development investment are outlined as follows:</p> <ul style="list-style-type: none"> • Any new scheme will not be cross subsidised by the HRA without board approval. • Development appraisals must be approved by the development sustainability strategic investment group before going to board • An annual development strategic investment plan will be submitted to the council for approval. <p>Regarding the golden rules, a point was raised about a scenario where the local authority desires a particular scheme that may not comply with the established rules. The Committee agreed that in such cases, the matter should be brought to the STAR Board for approval, ensuring transparency and adherence to the rules.</p> <p>A query about how the listed assumptions compared to actuals was voiced, and it was acknowledged that data on performance against assumptions is not readily available and recognised the need to benchmark their performance in various areas, including rent arrears, repairs cost, and bad debt, to provide a clearer understanding of the organization's financial structure.</p> <p>The Committee agreed that it is essential to revisit the development appraisal parameters and come back with a comprehensive assessment of performance against the established assumptions, even if data collection is currently challenging due to other priorities.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Gather data and performance metrics to benchmark the organization's performance 	<p>HR</p>	

	<p>against the established assumptions in various areas, including rent arrears, repairs cost, and bad debt. This will provide a clearer understanding of the organization's financial structure and inform future decisions.</p> <ul style="list-style-type: none"> • Revisit the development appraisal parameters annually. 	HR	
12.	<p><u>Savills LHA Rent Cap</u></p> <p>The potential impact of the LHA cap on the Housing Revenue Account (HRA) was discussed. The HRA team has modelled different scenarios based on an indexed approach with 1% to 1.5% increases in rent over 30 years. The estimated cost to the HRA could be between £52 million to £101 million if there is a consistent increase, and between £35 million to £97 million if there is a staggered approach similar to the existing LHA arrangements</p> <p>It was commented that STAR Housing has been working proactively to address this issue and has been in discussions with the local authority, and the Committee highlighted the potential impact on affordability and tenants' ability to remain in social housing. It was noted that the ALMO has a strong Money Advice team to help tenants maximize their benefits and ensure properties remain affordable, and that the local authority has appreciated the work done and is considering reversing the policy, acknowledging that social housing remains the most cost-effective option for many tenants in Shropshire.</p> <p>The report's findings will contribute to the investment plan and stress testing, helping to crystallize the actual cost to the HRA and highlight potential financial gaps that may arise if the policy is allowed to continue unchecked. The work done has strengthened the ALMO's relationship with the local authority and positioned them in a better place moving forward. The Committee welcomed the valuable work done in understanding the long-term impact of the LHA cap and its importance in decision-making.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Work closely with the local authority to consider reversing the policy based on the ALMO's findings and the importance of social housing as the most cost-effective option for many tenants in Shropshire. • Use the report's findings to contribute to the investment plan and stress testing, helping to crystallize the actual cost to the HRA and identify potential financial gaps that may 	<p>HRa</p> <p>HRa</p>	<p>Aug 23</p> <p>Aug 23</p>

	arise if the policy is allowed to continue unchecked.		
13.	<p><u>Procurement Exemptions</u></p> <p>It was raised that there has been recent review of procurement exemptions, and at the moment, there are none being considered. However, they are waiting for an extensive list of previous exemptions and updates. Going forward, there is a plan to provide written reports to the Committee to make them aware of any authorized exemptions and who is authorized to approve them. It was emphasized that procurement exemptions will be the exception rather than the rule, and it would be very rare to have any additional exemptions in the future.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Conduct a comprehensive review of previous procurement exemptions to create an extensive list and updates for the Committee's consideration. • Provide written reports to the Committee to keep them informed about any authorized procurement exemptions and the individuals or positions authorized to approve them. • 	<p>RB</p> <p>RB</p>	<p>Sept 23</p> <p>Sept 23</p>
14.	<p><u>TOR- Q2 Proposed</u></p> <p>A discussion about the internal audit process arose, specifically focusing on scoping and conducting audits. The internal audit team explained that their role is to provide independent assurance on the organization's risk management, governance, and internal processes. At the beginning of each audit, they create terms of reference and a testing program to outline the areas they will review and the controls they will assess.</p> <p>The terms of reference include the purpose and scope of the audit, which identifies the overarching management controls that should be in place within a specific process. The testing program outlines the expected controls and the tests the auditors will conduct to ensure that these controls are functioning effectively. The internal audit team emphasized that their focus is on ensuring the presence of expected controls and not on the day-to-day management of contracts. However, attendees raised concerns about the depth of the audit and suggested that certain additional factors should be considered during the audit process. For example, they mentioned evaluating unit costs, gathering tenant satisfaction data, and assessing the overall management of contracts.</p>		

	<p>The internal audit team acknowledged the need to have a more rounded approach and to consider additional factors in the audit process. They also recognized the limitations of the current audit days and expressed their willingness to have more in-depth discussions with management to address these concerns.</p> <p>The Committee agreed that the internal audit process should be a collaborative effort and that the terms of reference and testing documents should be delegated to the Committee chair and the management team for oversight. This approach would ensure a stronger partnership and a more effective audit process moving forward.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • All TOR and testing processes to be signed off by the appropriate Director and Chair of FAR. 	HR	ASAP
15.	<p><u>Any Other Business</u></p> <p>A discussion was raised around the forward plan and improving the meeting schedule and financial reporting. The Committee mentioned their intention to check potential dates for meetings and ensure that the minutes of the meetings are available well in advance, ideally two weeks prior to the main Committee meeting. This will allow enough time to review and agree on the minutes and attach them to the Committee meeting papers.</p> <p>The need for more timely budget information was raised, and the finance representatives acknowledged that budget and KPI reporting should be provided on a monthly basis, and they considered it a matter of urgency to implement this.</p> <p>Finally, the Chair thanked everyone for their attendance and for covering a substantial amount of business in a relatively short time.</p> <p>The meeting concluded positively with discussions on improving the meeting schedule and financial reporting processes.</p> <p>Action(s):</p> <ul style="list-style-type: none"> • Committee members to check potential dates for future meetings to ensure the most convenient and suitable schedule for all attendees. • The minutes of the meetings should be prepared and made available well in advance, ideally two weeks prior to the main Committee meeting, to allow sufficient time for review and agreement. 	<p>CB</p> <p>CB</p>	<p>ASAP</p> <p>ASAP</p>

