AUDIT AND RISK COMMITTEE
Monday 09 March 2026
16.30
Boardroom, Cornerstone

SHG
One team, transforming lives

PRESENT / IN-ATTENDANCE:

Members (Present):

- Karen Mitchell (Chair)
- Priti Butler
- Alistair Chapman
- Alison Foster
- Marie Gilluley
- Carol Jack

Officers (In-attendance)

- Carmel Chambers, Chief Executive
- John Kennedy, Director of Finance & Resources
- Anne-Marie Heil, Director of Customer Services (Item 11)
- Paul Worthington, Director of Property
- Rachel Cossey, Governance Manager
- Sam Donigan, Head of Assurance
- Verity Gleave, Head of Marketing & Comms (Item 09)
- Alison Gray, Governance Officer
- Kelly Cleaver, Senior Finance Business Partner (Item 11)
- Alison Leach, Strategic Lead – IT Services (Item 09)
- Natalie Leonard, Finance Manager

External attendees

- Maria Hallows, Menzies (External Auditors)
- Natalie Hinchcliffe, BDO (Internal Auditors)

01	**APOLOGIES for ABSENCE and DECLARATIONS of INTEREST**	**ACTION**
	There were no apologies and no declarations of interest.	
02	**MINUTES FROM PREVIOUS MEETING and ACTION MONITOR**	
	The Committee approved the Minutes from the meeting on 24 November and noted progress with the Action Monitor.	
03	**EXTERNAL AUDIT SCOPE** (DECISION)	
	Maria Hallows from the External Auditors, Menzies, summarised the proposed External Audit Scope and explained the risk-based approach. As accounting for the Local Government Pension Scheme (LGPS) involved significant estimation, this had been identified as one area of elevated risk and would be a key audit focus. The audit timeline was summarised. The Committee asked why fraud risk was considered to be a significant audit risk and whether this was specific to SHG, or not. It was explained this was due to a broader change in the auditing standards that Menzies adhered to, which meant that auditors were required consider fraud and provide reasonable assurance that	

	the accounts were free from misstatement either by fraud or error. It was a change impacting all of Menzies audits. Given the ambitious timeline, the Committee enquired if there was capacity in the Finance Team to hit the target dates. The Director of Finance & Resources explained that it was an experienced team that had been through several audits previously. The team had been restructured in May 2025 and was fully staffed. The External Auditor agreed that based on her previous experience of working with the team, she was confident that SHG would work to the proposed audit timeline and initial work had already been completed on schedule.	
	RESOLVED: That the Committee approved the external audit scope.	
04	**STOCKPORT HOMES GROUP BUDGET 2026/27** (CONSULTATION)	
	The Director of Finance & Resources introduced the report noting the Group budget, which incorporated Stockport Homes budget and its subsidiaries. The subsidiary budgets had been considered and approved by their respective Boards. The Group budget would be presented to the Board for final approval. Although the overall position was positive, and broadly in line with the 2026/27 forecast in the Financial Plan, ongoing strategic pressures remained related to: the development pipeline, compliance requirements and efficiency targets. Stress-testing had been undertaken based on key risks. The Committee considered fire safety actions and asked if the additional £245k referenced in the report was sufficient to meet challenges in this area. The Director of Finance & Resources explained that the bulk of the costs were managed through the Housing Revenue Account (HRA) and this additional amount was to cover inspection / survey work and was different from the extensive works undertaken through the Capital Programme. The Director of Property added that there was currently a rebalancing of resources across his directorate, given the pressures on asset management and building safety requirements and would be flexed accordingly. The Committee asked how FRA costs were considered in the stress testing and was advised it did not cover fire safety actions costs specifically, but there were stress tests based on costs related to repairs more generally. The Committee discussed the 3 per cent efficiency built into the Management Fee calculation and asked about the mechanisms for revisiting this. The Chief Executive acknowledged that it was unsustainable to deliver this efficiency indefinitely and that, while there was no formal process for raising it, the matter would form part of ongoing discussions with the Council. The Committee noted potential external pressures arising from the ongoing situation in the Middle East and suggested that Board reports reflect this where possible.	

	RESOLVED: That the Committee agreed to recommend the 2026/27 budget to the SHG Board for approval.	
05	**GIFT AID PROPOSAL 2025/26** (CONSULTATION)	
	The Finance Manager outlined the Gift Aid methodology proposal, comprised of donations from Stockport Homes, Three Sixty and Viaduct. SKylight would be provided with funding to March 2028, which would satisfy the 'going concern' assessment as part of the external audit.	
	RESOLVED: That the Committee agreed to recommend the following Gift Aid methodology to the Board for approval: • Viaduct donating all of its forecast surpluses for 2025/26 to SKylight in March 2026. • Three Sixty donating all of its forecast surpluses for 2025/26 to SKylight in March 2026. • Stockport Homes makes the balancing payment required to pay £1,489,000 to SKylight in March 2026, after deducting the payments made by Viaduct and Three Sixty above. • Delegating authority for the final values to the Director of Finance and Resources in line with the methodology above.	
06	**SHG RISK REGISTERS FOR 2026/27** (CONSULTATION)	
	The Head of Assurance presented the suite of SHG Risk Registers for 2026-27, noting that consideration was given to emerging risks, the changing regulatory landscape and the challenging operating environment. Subsidiary Risk Registers had been approved by their respective Boards. Risk would continue to be monitored and, when available, findings from the Arcus Lessons Learnt review in relation to the underreporting of Fire Risk Assessment Actions (FRAs) would be factored in. The Committee considered the rating for risks three[1] and four[2], accepting the inherent risk rating (IRR) but expressing concern that the green current risk rating (CRR) was premature, particularly whilst the Lessons Learnt review was ongoing and outcomes of the Building Safety Cases were pending. The Head of Assurance advised that the CRR reflected the intended position by the end of 2026/27; the green CRR rating was intended to demonstrate the effect of the actions taken in the interim. The Chief Executive added that the Executive Leadership Team (ELT) had considered the same issue and acknowledged the Committee's point. The Committee agreed that use of 'current' for an end-position could be misconstrued and requested that it be renamed in this context, possibly to residual risk rating. In light of the ongoing challenges with the Building Safety Regulator (BSR), the Committee asked for this risk to be rescored to be Amber. The	**SD**

[1] RISK 3: Building Assessment Certificates are not obtained from the Building Safety Regulator (BSR) for the high-rise buildings.
[2] RISK 4: Health and safety obligations to customers are not fulfilled.

	Committee discussed the Compliance risk and the Lessons Learnt review. They decided that given the actions outlined in the Risk Register, that they were comfortable for this to be scored as Green as the residual risk rating. The Committee asked for there to be consideration about quarterly profiling of risk scores.	
	RESOLVED: That the Committee considered the suite of SHG Risk Registers for 2026-27 prior to presentation to SHG Board for their approval and re-affirmed the SHG Risk Appetite Statement for 2026-27.	
07	**SHG RISK UPDATE REPORT QUARTER THREE 2025/26** (ASSURANCE) *Confidential*	
	The Head of Assurance summarised the Quarter Three report and advised the Assurance Map had also been updated. In line with the Committee's Terms of Reference, there was fraud update at Section Nine. Emerging issues, including those in the Middle East, would continue to be monitored.	
	RESOLVED: That the Committee gained assurance from the Quarter Three Risk Update Report, noting the Red and Amber actions and risk control actions which are reported as Not on Track.	
08	**BUILDING SAFETY CASES and FIRE RISK ASSESSMENT ACTIONS UPDATE** (ASSURANCE) *Confidential*	
	The Director of Property introduced the report, updating the Committee on the latest position on Building Safety Case submissions to the BSR and on FRAs. The Committee welcomed the comprehensive update and thanked the Director of Property for the fortnightly updates that had been provided since the 22 December Board Meeting.	
	RESOLVED: That the Committee gained assurance from: • The current position on Building Safety Case preparations. • The actions being taken to achieve compliance with current FRA actions. • The scope for the independent review of FRA action underreporting.	
09	**INTERNAL AUDIT UPDATE REPORT QUARTER THREE 2025-26** (ASSURANCE)	
	BDO outlined progress against the 2025-26 Internal Audit plan and advised that the following reviews had been completed in Quarter Three <u>Stakeholder Management</u> BDO explained this was an advisory review so there was no overall assurance rating; two medium risk findings had been identified. The review had focused on customer communications and several areas of good practice were noted. The Head of Marketing and Communications advised that the review had been useful for identifying areas which could be tightened up and actions had already been completed.	

The Committee queried the specific focus on customer communications rather than on other stakeholders such as the Council. The Head of Assurance advised that at the point of scoping the review, the actions arising from the SMBC Deloitte Review were ongoing, with SHG attendance at SMBC Area Committees about to start, so the decision was made to focus on customer communications to avoid duplication. The Head of Marketing and Communications agreed and advised that the toolkit that had been developed was applicable to all stakeholders.

<u>Business Planning and Stress Testing</u>

BDO introduced the report, noting that no findings were raised and that robust controls were evident throughout the business planning and stress testing process.

- Design of Internal Controls: **Substantial**
- Effectiveness of Internal Controls: **Substantial**

The Committee commended the team on the outcome positive outcome of the review.

<u>Asset Management</u>

BDO summarised the report which covered the Asset Management Strategy and stock condition data and processes.

- Design of Internal Controls: **Moderate**
- Effectiveness of Internal Controls: **Moderate**

The Director of Property acknowledged that until the implementation of the new asset management system, Asprey, the reliance on manual processes would affect the overall assurance rating. Work was underway to standardise language across completed Stock Condition surveys, ready to be uploaded when the new system was in place. The Committee asked about outstanding stock condition surveys. A new contractor had been appointed, as well as internal resource, and the target was to complete them by the end of May.

<u>Follow-up</u>

The Head of Assurance explained that BDO formally report follow-up to the Committee on a six-monthly basis, in June and November each year. However, for this meeting, an officer update had been included to keep the Committee informed. BDO would then verify the actions in April/May and formally report to the Committee in June.

The Committee expressed concern regarding progress against the actions arising from the ITGC review, particularly with new deadlines being proposed for all but one action. The Strategic Lead – IT Services acknowledged the disappointing position and advised that there were no significant issues affecting delivery. Operationally, the team had been working on updating procedures, but due to IT infrastructure being hosted via SMBC, had not factored in the additional time needed for approvals when setting dates, which had been too optimistic. This would be factored into future reviews.

	Q3 Progress BDO summarised their progress report and noted there were no changes to the plan. Fieldwork for the Asbestos review was nearing completion, and the Terms of Reference for the Data Quality would be issued shortly. The Committee asked about sample sizes for the Asbestos review and was advised that this had been discussed and agreed at the scoping stage and the methodology was included in the Terms of Reference. An additional days' work had been incorporated into this review to accommodate additional sampling.	
	RESOLVED: That the Committee gained assurance from the contents of the report.	
10	**INTERNAL AUDIT PLANNING 2026/27** (CONSULTATION)	
	The Head of Assurance introduced the item and explained that the final Internal Audit Plan for 2026/27 would be presented to the Committee for approval in June. To ensure that work could commence, quarter one reviews would be identified from the draft plan, and details would be circulated to the Committee on email ahead of the next meeting. Natalie Hinchcliffe from BDO presented their approach to internal audit and advised that, following recent conversations with the Regulator, an additional slide on Sector Risks and Horizon scanning was also included: the Team Engine meeting pack would be updated. The Committee were satisfied with the overall approach to the draft plan and discussed the allocation of days for the Stocks and Stores review proposed for Three Sixty. The Director of Property advised that he felt it was timely to schedule a Three Sixty focused review, due to its highly transactional nature. Three Sixty Board members on the Committee agreed that a review was appropriate, however, given recent discussion at the Three Sixty Board Meeting, suggested that procurement might be a more useful area to review. The Head of Assurance said procurement had been considered, however, as there was significant change planned in that area it was more appropriate to conduct an audit when resourcing was in place. It was agreed that before the plan was finalised, Three Sixty Board Members on the Committee would discuss the Three Sixty review separately with the Head of Assurance.	**AG** **SD/AC/AF**
	RESOLVED: That the Committee noted the proposals and provided comments / feedback on the Internal Audit Plan for 2026-27.	
11	**CARECALL FINANCIAL UPDATE** (PRESENTATION) (ASSURANCE)	
	The Director of Customer Services summarised Carecall's development, including the change in management and alignment with Independent Living, the separation from the concierge service and the analogue to digital switchover (A2D). The Senior Finance Business Partner summarised the financial position, noting the impact of	

	the A2D investment period concluding in 2025/26. Due to the nature of the business, there was a consistent loss of customers, however, the ambition was to achieve a net increase of 15 customers per month. The forecast outcome was for the service to return to surplus in 2028/29. Risks to the forecast were outlined. The Committee acknowledged the competitive market Carecall operated in and asked about the plans for scaling the service. The Director of Customer Services advised that there was a good relationship with Adult Social Care at SMBC and local hospitals, however, the challenge was also in reaching the 'able to pay' demographic. Carecall branding and advertising had been refreshed, and it was being marketing nationally. Carecall was also on relevant frameworks, and recent introductions via the relationship with Enovation were proving to be worthwhile. The Committee enquired about staffing. The Director of Customer Services advised that had been a factor in the restructure and a new rota had been introduced to meet the challenge of 24/7 staffing. There were opportunities for some elements of the service to be done via AI, and that was being explored. The Committee welcomed the update and asked that the Carecall position continue to be articulated within future the management accounts to the Committee.	
12	**STOCKPORT HOMES GROUP ABBREVIATED MANAGEMENT ACCOUNTS TO JANUARY 2026** (ASSURANCE)	
	The Finance Manager introduced the report and advised the Group forecast for the financial year had improved from the original budget, largely due to the SHG development programme, however, expenditure was expected to increase due to ongoing FRA activity. The Committee enquired about the position in relation to 1,000 units. The Finance Manager advised that she was receiving regular updates from the Development Team. The Director of Finance & Resources added that a small number of units from Melford Road were delayed and may not hand over until April. The Head of Assurance confirmed that she had been in contact with the Regulator and had been advised their approach would be proportionate, especially given the lack of a development pipeline outside the HRA. The Committee requested to be kept updated on the situation and the Head of Assurance agreed that there would be an update in the July Finance, Risk and Regulation report to Board.	**JK, NL & SD**
	RESOLVED: That the Committee noted and discussed the abbreviated management accounts.	
13	**UPDATED GROUP FINANCIAL REGULATIONS** (CONSULTATION)	

	The Finance Manager advised tracked changes was left visible on the document and that there had been no significant updates to regulations. Given recent leadership changes, the Assistant Director of Finance role was likely to be updated and the regulations would require a further amendment at that point. The Committee agreed if that were the case, it could be advised via the Audit and Risk Update report and would not need to be brought back as a full item.	
	RESOLVED: That the Committee considered the updated financial regulations for Stockport Homes Group and agreed to recommend them to SHG Board for approval.	
14	**AUDIT AND RISK UPDATE REPORT** (ASSURANCE)	
	The Audit and Risk Update report was noted.	
15	**FORWARD PLAN**	
	The Forward Plan was noted.	
16	**REVIEW OF THE MEETING**	
	The Chair noted that Committee Members had met without officers present before the meeting, which had worked well to focus discussion and would like to do the same before the next meeting in June. She had also met separately with Natalie Hinchcliffe from BDO and the Head of Assurance. There was agreement that the meeting had gone well and the Committee thanked officers for comprehensive reports and presentations that had aided discussion.	**AG**