

Minutes

AUDIT AND RISK COMMITTEE

Monday 22 June 2026, 4.30pm

Boardroom, Cornerstone



Members Present:

Karen Mitchell (Chair)
Alistair Chapman
Alison Foster
Marie Gilluley

Members Present via Teams:

Priti Butler

SHG Officers in Attendance

John Kennedy, Director of Finance & Resources (Lead Officer) **(JK)**
Paul Worthington, Director of Property **(PW)**
Sam Donigan, Head of Assurance **(SD)**
Alison Gray, Governance Officer **(AG)**
Alison Leach, Strategic Lead – IT Services **(AL)** *(until end of Item 9)*
Natalie Leonard, Head of Corporate Finance **(NL)**
Ian Pitteway, Assistant Director – Assets and Development **(IP)**

External

Natalie Hinchcliffe, BDO - Internal Auditors **(NH)**
Maria Hallows, Menzies - External Auditors **(MH)** *(until end of Item 5)*
Ged Nolan, Menzies - External Auditors **(GN)** *(until end of Item 5)*

1. **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

There were apologies from Carol Jack and no declarations of interest.

2. **PREVIOUS MINUTES AND ACTION MONITOR**

The minutes from 9 March were accepted as an accurate record. Progress with the action monitor was noted. The Committee asked how the stock condition surveys were progressing. PW confirmed that only six per cent remained outstanding. These were the most complex ones to resolve and access would be attempted via another route such as gas safety checks.

3. **INTERNAL AUDIT UPDATE REPORT QUARTER FOUR 2025-26 (ASSURANCE)**

NH summarised progress in the quarter and advised the following work had been completed.

Asbestos Management Review

The review included consideration of policies and procedures; asbestos records; training; customer communications; management information and oversight. BDO provided the following levels of assurance:

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

NH recognised that use of manual spreadsheets would be resolved when the new compliance management system (C365) was implemented; however, use of the existing Shine system represented good practice in this area.

There were five findings: three medium risk and two low risk. These related to remedial actions, training, reconciliation of reinspection schedule, data, policies, and procedures. Areas of good practice included the dedicated system, including automated surveys and pop-ups. In respect of the recommendations related to Finding 2, SD advised that the target completion date had been revised from 31 May to 30 June, after the papers had been circulated.

Action: NH to reissue the report to reflect the revised target completion date.

The Committee considered compliance training and asked about escalation routes. PW advised that completion was tracked through the Litmos training system and that training requirements varied across the 'big six' compliance areas. Outstanding issues were now being picked up at monthly meetings.

Action: PW to provide further information on how mandatory training is monitored, including performance measures and completion rates.

The Committee sought clarification on statutory obligations with regard to asbestos management. NH confirmed that communal areas were subject to risk-based re-inspections, however, there was no statutory requirement to complete this for all domestic properties, although management surveys were in place for 89.5 per cent.

The Committee asked how asbestos management requirements were communicated to customers. PW advised information was included in new tenancy packs, and generic messaging around asbestos including coverings and decorative finishes was on the website. NH confirmed this approach was consistent with the sector.

Data Quality Framework – Advisory Review

NH advised this was an advisory review and summarised the key findings which related to escalation of data quality issues, data quality remediation, preventative controls, training and AI use. Several areas of good practice were noted including an approved Data and Information Governance Framework and Data Quality Policy.

Follow-up on Actions

NH summarised the report and reminded the Committee that follow-up work was ongoing, with reports presented to the Committee in June and November annually. This report covered actions due up to 31 March 2026.

The Committee questioned why a further extension was being sought in relation to one of the Damp, Mould and Condensation recommendations. SD advised this related to root cause analysis. Data was being captured and a Power BI dashboard was in development, however, there had not been enough cases to sufficiently evidence the process.

Annual Report and Opinion

NH introduced the new format for the annual review. Although year-on-year comparisons were not always useful, it was noted that there were fewer recommendations than in the previous year and no limited assurance reports.

RESOLVED: That the Committee took assurance from the contents of the reports.

4. **FINAL INTERNAL AUDIT PLAN 2026-2029 (DECISION)**

Following consultation with the Committee in March, NH confirmed this was the final version of the Internal Audit Plan. The Internal Audit Strategy and Quality Assurance Improvement Plan (QAIP) was included at appendix two in line with the new Global Internal Audit and Risk Committee Standards.

The Committee discussed Three Sixty procurement concern discussed at their last meeting and the decision to proceed with a Stocks and Stores review in 2026/27 PW explained that the timing of a procurement review would be more valuable to SHG in 2027/28, as Three Sixty would be embedding the National Housing Federation (NHF) contract documents this financial year and related arrangements would flow from this implementation. Recruitment for a Procurement Manager was also underway. The Committee noted that the recent Arcus Lessons Learned report had identified issues with clienting. PW acknowledged this and confirmed that these issues applied across the Group. IP advised that, since joining SHG as Assistant Director, he had reviewed procurement processes, identified potential issues and considered existing good practice. A plan was being developed to address the gaps identified, and an internal audit review in 2027/28 would offer additional assurance.

The Committee agreed that the Three Sixty Board would continue to monitor progress with regard to procurement.

RESOLVED: That the Committee approved the 2026-27 Internal Audit Plan and noted the outline plans for 2027-29.

5. **YEAR-END GROUP STATUTORY ACCOUNTS 2025/26 (CONSULTATION)**

NL summarised the report, noting that not all of SHG's reserves were available as cash. The position was positive overall.

The External Auditors outlined key points from the accounts and the Audit Management Letter. An adjustment was made to the cashflow to reclassify an item, however, the financial statements presented for audit had been of high quality. The External Auditors wished to extend their thanks to the Finance Team and everyone from SHG involved in the process. The Committee concurred.

JK noted that there was an associated cost related to the additional information made available to the Committee in the Supplementary Materials and asked if this was still required. The Committee agreed that this did not need to be included as a default and suggested that in future years, this could be discussed at the external audit scoping stage and be requested as needed.

RESOLVED: That the Committee agreed to recommend the accounts to the SHG Board for approval, including:

i) the Directors' Report and Financial Statements with particular attention to:

- Directors' Report (pages 4 - 25)
- Accounting Policies (pages 37 - 43)
- Going Concern (pages 4 and 6)
- Board Member Responsibilities and s172 duties (pages 7 - 10)

ii) the Audit Management Letter (Appendix Five)

6. **EXTERNAL AUDIT PROCUREMENT (CONSULTATION)**

NL summarised the procurement process that had been undertaken. The Chair confirmed that she had been consulted throughout. The proposal was to reappoint Menzies, and to ensure continued independence a new audit partner would be assigned to SHG.

The Committee asked about social value commitments from our suppliers and the potential to leverage this with SKylight. SD confirmed social value formed part of the assessment methodology: for example, BDO had recently met with the Head of Inclusion and were supporting job clubs at SHG plus other activities related to SHG's Your Local Pantry branches. Commitments made by Menzies would be followed up in a similar way.

The Committee noted the low level of bids submitted and queried if this could be a potential issue in future. JK advised that social housing expertise is a specialist audit area, and the number of bids was in line with expectations and consistent with the sector. SD added that BDO as SHG's internal auditors and Mazar as SMBC's external auditors were both excluded from the process, thereby reducing the pool of available suppliers with relevant expertise.

RESOLVED: That the Committee recommended to the Board approval of the award of the external audit contract to Menzies.

7. COMPLIANCE ANNUAL PERFORMANCE REPORT 2025-26 (ASSURANCE)

PW highlighted key points in the report and noted that of the 564 Fire Risk Assessment (FRA) actions referred to as being outstanding at the end of March, only 11 surveys remained to be completed with works being planned in. Approval from the Building Safety Regulator (BSR) had also been received for Pendlebury Towers, although Hanover Towers was still pending.

The Committee noted the progress and discussed how best to get continued assurance on compliance and building safety. PW said that dealing with the FRA actions was now business as usual and agreed that appropriate reporting would need to be developed. Heat Networks regulations also had to be factored in.

The Committee sought clarity on actions related to FRAs. PW explained 648 FRA actions had been identified initially and 11 surveys remained outstanding. Some of those initial actions had been to carry out surveys, and those in turn had generated further work. The Lessons Learned report from Arcus also had an associated Action Plan.

The Committee felt that the tone of the annual report had been too positive overall: issues around the BSR Compliance Notices and the self-referral to the Regulator regarding the FRA actions should have been more clearly articulated. PW accepted the feedback and advised this report had followed the format of previous years, however, with new colleagues now in senior positions, the report style would be considered in light of the Committee's comments.

The Committee considered how best to get assurance through reporting and the usefulness of the ongoing fortnightly updates was acknowledged. AL advised that the new Compliance system would support reporting and fire safety would be the first module implemented. PW added that actions arising from the Lessons Learned report would also provide the Committee with assurance on progress. Recruitment had been undertaken with key roles now filled.

Progress was recognised, however, the Committee requested that more consideration be given to reporting and suggested a review of KPIs and a Compliance Map showing how the three lines of defence are covered or a diagrammatic approach to be reported to each meeting of the Committee.

The Committee asked for clarification on Building Safety Cases required by the BSR. PW advised that buildings had to be registered initially, however, BSR guidance had been evolving and there were delays nationally which had impacted SHG. Work had continued and SHG's buildings were divided into four tranches. Tranche one had been submitted, and tranche two was prepared and would be ready to go when called in by the BSR. The Committee requested that they receive ongoing assurance around Compliance and Building Safety.

Action: SD to review assurance mechanism in place for Compliance and Building Safety to ensure Audit and Risk Committee have proportionate oversight.

RESOLVED: That the Committee reviewed and commented on the report.

8. **AI AT SHG: RISK ASSURANCE AND CONTROL FRAMEWORK (PRESENTATION)**

AL presented on SHG's approach to artificial intelligence, explaining that adoption was being managed through a controlled, risk-based model supported by policy, information governance and technical controls. The Committee noted that Copilot was the preferred approved tool, with rollout being managed through a controlled pilot and wider use aligned with Stockport Council and Microsoft support. Key risks included data protection, cyber and fraud, accuracy of outputs, shadow AI, information governance and third-party supplier risk; mitigations included clear usage boundaries, human oversight, monitoring, Purview controls and strengthened governance arrangements.

The Committee considered how customers were using AI and enquired if SHG was seeing any impact on areas like complaints. AL advised she had spoken with the Head of Customer Engagement and although there were no obvious trends at this point, there was potential for it to be used in this way: SMBC had noticed a duplication in communications, where several people such as Councillors and MPs were being contacted about the same issue.

The Committee welcomed the presentation and SHG's focus on adopting a balanced approach in this developing area.

9. **ASSETS AND LIABILITIES REGISTER, STATISTICAL DATA RETURN (SDR) AND TSM SUBMISSION REPORT (CONFIDENTIAL) (ASSURANCE)**

AL summarised the report and informed the Committee the SDR had been submitted ahead of the 31 May deadline: at this point, no validation queries had been received. The TSM submission had been prepared and would also be submitted ahead of the 30 June deadline.

The Committee discussed the 1,000 unit position at year-end and noted that the Regulator had been informed. SD advised that since the end of the financial year the figure had already decreased and the expectation was that the Regulator would take a pragmatic approach. The Committee would continue to be updated.

RESOLVED: That the Committee took assurance from the report and how these items contribute to SHG's regulatory requirements.

10. **SHG RISK UPDATE REPORT: ANNUAL RISK OVERVIEW 2025-26 INCLUDING QUARTER FOUR UPDATE (ASSURANCE)**

SD introduced the report which covered the annual review for 2025-26 and incorporated the Quarter Four update.

At year end there were eight red or amber corporate risks not fully under control, including asset management, zero carbon, building safety, new build development, customer health and safety, IT systems, Council relationships and consumer regulation. The Council relationship and consumer regulation risks had moved to

Green for 2026-27, reflecting progress made and the C1 grading achieved following inspection.

SD highlighted that three Corporate Risk Register actions were not on track, relating to CCTV and alarm business continuity arrangements, Building Safety Cases and wider Compliance requirements. Emerging issues were summarised, particularly uncertainty around the Greater Manchester and the national political environments. The minutes from the Three Sixty Board Meeting on 11 May were available in the supplementary information to provide additional context around the specific risk actions that were not on track in the Three Sixty Risk Register.

The Committee discussed the red risks relating to long-term stock investment and zero carbon and asked about EPC C (Energy Performance Certificate). PW advised that most stock had already achieved C or above. Work would continue to review the Asset Management Strategy during 2026. The Committee noted the links to the earlier discussion on Compliance and Building Safety reporting.

The Committee enquired about development and funding options. JK advised that any development was likely to continue via the HRA. PW confirmed that a Board webinar on Development was scheduled for July, ahead of the updated Development Strategy coming to the next Committee in September.

The Committee considered the issues around procurement and commercial governance in Three Sixty and discussed the best way to capture and report this information to ensure continued visibility at Group level.

Action: SD to confirm the most appropriate route for reporting Three Sixty procurement and commercial governance matters at Group level.

RESOLVED: That the Committee took assurance from the Annual Risk Overview, including Quarter Four, noting the Red and Amber risks and the risk control actions reported as Not on Track.

11. **2025-26 YEAR-END CAPITAL PROGRAMME OUTTURN REPORT (FINANCIAL) (ASSURANCE)**

PW introduced the report and reminded the Committee that a customer-centred version of the report had been presented to the Customer Focus Committee in May. Actual year-end spend was £14.613m against a revised approved budget of £16.244m, representing around 90% budget utilisation. The underspend was mainly due to deferred or reprofiled works, with committed schemes rolled forward into 2026/27. The programme had continued to prioritise customer safety, compliance, building safety and housing quality, including addressing all thirty non-decent properties identified during the year.

PW highlighted that further benchmarking and cost assurance work would be undertaken during 2026 to better understand unit costs, procurement routes and value for money, with findings informing future investment planning and the implementation of the Asprey system.

The Committee queried the underspend and asked if there had been any impact on customers. PW advised there had been some flexibility built into the plan as it was challenging to reconcile variations between Rapley's benchmarking and actual costs, however, decency had been maintained and the underspend had been used for the FRA actions work. The Committee welcomed the clarification and suggested the report could have more clearly explained the reasons for the variance and whether there had been any customer impact. PW acknowledged the point and noted the report had followed previous iterations; however, this approach would be reconsidered for the future years.

The Committee enquired how FRA actions had impacted delivery of the programme in Quarter One. PW informed the Committee that delivery was behind expectations, however, delivery was still forecast for this year and it was hoped that there would be specific funding regarding the FRA actions.

The Committee considered the benchmarking and cost assurance review planned to be undertaken in 2026 and asked how this linked with procurement. PW explained this was the first step to ensure more robust procurement practices and ultimately better value for money.

RESOLVED: That the Committee reviewed, considered and noted the contents of the report.

12. **TREASURY MANAGEMENT 2025/26 ANNUAL PERFORMANCE REPORT (ASSURANCE)**

NL introduced the report and advised that the Group's cash flow position remained healthy. The closing debt position of £67.274m at March 2026 was lower than forecast due to deferred loan drawdowns. The position would be monitored and an update would be provided in the mid-year report.

RESOLVED: That the Committee noted the contents of the Treasury Management 2025-26 Annual Performance Report.

13. **STOCKPORT HOMES GROUP ABBREVIATED MANAGEMENT ACCOUNTS TO APRIL 2026 AND 2025/26 OUTTURN (ASSURANCE)**

NL introduced the abbreviated management accounts, which included the April 2026 position and the 2025/26 outturn. The Committee noted that the Group ended 2025/26 in a favourable position, with a surplus of £2.690m compared to the original budgeted deficit of £1.2m. The HRA outturn was also positive, with a surplus of £2.156m, including amounts ring-fenced for future development and the Council's strategic review.

The Committee noted that 2026/27 remained challenging, although the current Group forecast had improved to a surplus of £446k. NL highlighted the position across the Group companies, including the need to maintain focus on Three Sixty commercial controls and wider savings and efficiencies. Emerging financial risks linked to fuel, gas prices, subcontractor costs and HRA borrowing rates would continue to be closely monitored.

RESOLVED: That the Committee noted and discussed the abbreviated management accounts.

14. **AUDIT AND RISK UPDATE REPORT**

JK summarised the report, which provided brief updates on matters within the Committee's remit, including: the new works management system, Heat Network Regulations and Three Sixty commercial governance. The Committee welcomed the updates and noted the report.

15. **FORWARD PLAN**

The Committee reviewed the Forward Plan and noted that Compliance and Building Safety would be added as a standing item for future meetings, in line with the earlier discussion under Item 7.

16. **REVIEW OF THE MEETING**

The Committee agreed the agenda was extensive but recognised all items had been required and that there were none they would have wanted to defer or reschedule.

Members noted that officers had provided helpful additional context where queries arose but asked that future reports convey key assurance points more clearly. They suggested shorter reports that highlighted key considerations for the Committee, which were supported by detailed appendices. Members also requested more regular use of executive summaries and discussed the potential use of Copilot to create summaries from full reports. Alison Foster agreed to share an example of the executive summaries used at Be at One which have helped Members there.

Author: Alison Gray	Date: 24/06/2026
Lead Officer Review: John Kennedy	Date: 26/06/2026
Chair Review: Karen Mitchell	Date: 29/06/2026

*Matters arising are communicated and tracked via a separate **Action Monitor**.*