



ALBYN HOUSING SOCIETY LIMITED

REGULATORY STANDARDS OF GOVERNANCE AND FINANCIAL MANAGEMENT

Prepared by Robin Nairn and Calum Macaulay – October 2016

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REGULATORY STANDARDS OF GOVERNANCE AND FINANCIAL MANAGEMENT

Context, Preparation and Approval of Albyn's Self-Assessment of Governance and Financial Management

In 2012 the Scottish Housing Regulator (SHR) published its Regulatory Standards of Governance and Financial Management for Registered Social Landlords. As a member of the East of Scotland Finance Forum there were a number of discussions on how we as individual RSLs self-assess against these standards. These discussions were reported to the then Audit Committee and Senior Management were asked to look at the document and prepare a document that outlined how Albyn measured against these standards.

The document was for internal purposes only and Committee Members were satisfied with a document that assumed a reasonable knowledge of the Corporate Governance and Financial Management within a business context and a knowledge of how Albyn functions on a day to day basis. This included the Chair of the Audit Committee who works for Audit Scotland upto the end of December 2016. The self-assessment was prepared on this basis.

The self-assessment was presented to the Audit Committee in March of 2013 and approved. The assessment was reviewed and reapproved on an annual basis thereafter. The minutes of the Audit Committee meetings are presented to the Board and questions asked of the Chair at those Board meetings. The Audit Committee also reports to the Board on an annual basis on what it has done during the year, and this includes this self-assessment in particular.

In 2015, the SHR included as part of their Regulation Plan for Albyn the following: -

“We will also engage with Albyn to seek assurance about how it has assessed its governance arrangements and capability. We will discuss the timing and extent of this work with Albyn.”

The report as approved by the Audit Committee was therefore used as the basis of the Self-Assessment to be submitted to the SHR. Various discussions have taken place between the Senior Management of Albyn and SHR officers and various changes have been incorporated in the self-assessment. The Board and the Audit Committee have been kept informed of these discussions.

In August 2016, the Board agreed that Senior Management should complete the self -assessment without the aid of external consultants as suggested by SHR. The assessment has been reviewed in depth by the Audit Committee on the 27 October and approved by the Board on 23 November 2016.

Assessment Procedures Applied to this document

The Board have developed a number of regular reviews to check whether or not their assessment of the Governance and Financial Management is measured.

These are:

- This report will be reviewed and updated by the senior officers of Albyn group. The revised document will be presented to the Audit and Risk Management Committee on an annual basis at their spring meeting. [See evidence \(1\)](#). (The minutes of the Audit and Risk Management Committee are included in the Board papers).
- The Internal Audit work programme includes a review of Corporate Governance as one of the areas for review. The report on Corporate Governance is discussed with the Chair and included in the Board Papers for approval. [See evidence \(2\)](#). The report and agreed recommendations are monitored by the Audit and Risk Management Committee. The programme also includes a review of financial information and financial procedures. [See evidence \(3\)](#). Reports are discussed at the Audit and Risk Management Committee, including recommendations. These recommendations are then implemented in full if appropriate. The results of the internal audit process are included in the minutes which are included in the Board papers. The programme is a three-year schedule of work and therefore these areas will be reviewed at least every three years
- The Board will consider commissioning work specifically to give external assurance of the organisation governance and financial management. This was last completed in 2014 by Linda Ewart of GAS. [See evidence \(4\)](#). The Minute of the appointment recorded the remit as:

“Mrs Ewart had been tasked to assist the Board in carrying out a self-assessment of its effectiveness in the context of the Scottish Housing Regulator’s Regulatory Framework. As well as being good practice, the Regulatory Standards require governing bodies to regularly review their governance arrangements and to use the results to inform training and succession planning. The results of a self-assessment exercise can also be used to ensure that governance arrangements are fit for purpose and to identify any areas for improvement or refinement. The self-assessment was intended to gather together the views of Albyn’s Board and Executive Team on the effectiveness of the current governance arrangements. “

The Board will commission this work when they feel it is appropriate to do so. The Board will consider the following when considering the commissioning:

- The skills of the Board
- The experience of the Board
- Other reviews
- The external environment that Albyn and other RSLs are working and the pressures this places on the Governance and Financial Management of the Albyn Group.
- Changes to the business activities
- Board Appraisals
- Chief Executive Appraisal
- Board succession, especially Chair

- The Board will consider the need for governance training for the current Board including the new members following the completion of the exercise being currently carried out by the Regulator. This is to ensure that any training delivered is relevant to the way Albyn operates.

REGULATORY STANDARDS OF GOVERNANCE AND FINANCIAL MANAGEMENT

Regulatory Standards

1. The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.
2. The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.
3. The RSL manages its resources to ensure its financial well-being and economic effectiveness.
4. The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.
5. The RSL conducts its affairs with honesty and integrity.
6. The governing body and senior officers have the skills and knowledge they need to be effective.

Standard 1

The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.

Guidance

- 1.1 The governing body sets the RSL's strategic direction. It agrees and oversees the organisation's strategic and financial plans to achieve its purpose and intended outcomes for its tenants and other service users.**

Albyn's response

Albyn prepares an annual [Business Plan \(5\)](#). The Business Plan details the strategic direction and includes strategic plans and a detailed budget and includes action plans to achieve the intended outcomes for Albyn and its stakeholders.

This complies with the guidance as issued by the SHR (Business Planning – December 2015). The Business Plan is based on detailed discussions within the Board and the Leadership Team. Albyn consults with all of the staff and many of its stakeholders including tenants.

The Business Plan includes a detailed action plan for the Group and is the basis of the performance management within Albyn.

This is evidenced by the following documents – The Business Plan is as described above and is approved in March each year. It is circulated to the Funders and SHR. We prepare on a quarterly basis a performance report that details actual results against approved Key Performance Indicators (KPI) and a quarterly report on progress to meet the Action List included in the Business Plan. These reports are included in the quarterly Performance Committee cycle of reports and are [available for review \(6\)](#).

Reports are prepared for the Board on specific actions detailing progress and where necessary seeking approval from the Board. Examples of these papers are the decisions surrounding [Aviemore Biomass System \(7\)](#) in the period October 2015 to March 2016 and changes to [Customer Services \(8\)](#) in November 2015.

In previous years the Board has set up sub-committees to consider the provision of pensions to staff. This Committee has received reports from senior staff and sought independent advice from pension professionals, their decisions have been ratified by the Board and implemented by senior staff. This committee continues to have a role regarding oversight of the historical defined benefit deficit funding and how it is managed by SHAPS and the Pensions Trust. Various reports were made to the Board regarding the initial reorganisation and subsequent evolution of the reorganisation including the creation of the post of [Chief Operating Officer \(9\)](#) (September 2014 and January 2015) and subsequent changes to [Customer Services \(8\)](#) regarding number of patches (November 2015) and the [Housing Assistants' role \(8\)](#) (November 2015)

We also prepare Board Information papers on issues that are included in the Business Plan such as the impacts of [Universal Credit \(10\)](#) (June 2016), and the recovery of outstanding contributions from [Scottish Water \(11\)](#) and resolving their outstanding adoption of systems (August 2016). Papers are available on these issues as evidence of monitoring Albyn's activities against the Business Plan objectives, targets and actions.

1.2 The RSL’s governance policies and arrangements set out the respective roles, responsibilities and accountabilities of governing body members and senior officers, and the governing body exercises overall responsibility and control of the strategic leadership of the RSL.

Albyn’s response

[Albyn’s rules \(12\)](#) are based on the model rules as published by the SFHA and are approved by OSCR. Our governance procedures include:

- [Remits for the Board and Committees \(13, 14, 15, 16\)](#) that govern Albyn
- [Remit for the Leadership Team \(17\)](#)
- All Board members have signed the “[Code of Conduct](#)” (18) which is based on the SFHA model
- All senior officers have job descriptions which detail their role and responsibilities
- The Governing Body approves the Business Plan on an annual basis (see detail to 1.1)

This is evidenced by the documents as detailed. The rules and remits have been reviewed recently and are available for scrutiny. The Code of Conduct is signed annually by Board members (Staff also undertake this task on an annual basis) and a record of this is available if necessary. Job descriptions are available for all staff which detail the role and responsibilities.

1.3 Decision-making complies with the RSL’s constitution (which adheres to Regulatory Standards and constitutional requirements) and its legal obligations.

Albyn’s response

All decision making papers are in a standard format and clearly detail the decision required, the current position, any financial implications, option appraisal, risk management issues, SHR requirements and how the decision fits with the Strategic Objectives as detailed in the Business Plan as appropriate.

Albyn’s constitutional requirements are detailed as part of 1.2

This is evidenced by the following documents – A [template \(19\)](#) which provides the standard format and a review of the papers for any meeting will give examples of the detail that the Officers undertake when preparing the papers. It should be noted that the same format is adopted for all Committees as well as Board meetings. The remits of various Committees and the Board are reviewed at least every three years and detail the activities and hence approval restriction for committees. These [remits \(14-16\)](#) are available for inspection. The Board is provided with the minutes of all Committee meetings and the Chair of the Committee presents them. Board papers are available, including minutes. A review of any of the Board papers would illustrate the quality of the Board papers but as an example [October 2016 \(20\)](#) are specifically available.

Where particular issues occur such as the provision of pensions a sub-committee is set up to deal with issue in depth. The Board and sub-committees will seek independent advice where appropriate to ensure that decisions made are legal and comply with legislative issues. A prime example of this is the Pensions Board meeting with pension advisors and employment advice being commissioned (29 July 2013) and salary consideration where White Cube undertook a market analysis of the salary and benefit package offered by Albyn Group (June 2016).

1.4 All governing body members accept collective responsibility for their decisions.

Albyn's response

The Code of Conduct details that all Board members accept collective responsibility. Various policies and procedures are in place to resolve issues between Board members. These include informal discussions, formal meetings with the Chair (and Vice Chair) if necessary, informal discussion with senior staff, annual appraisal of Board members, and the [whistleblowing policy \(21\)](#) and procedures.

This is evidenced by the following documents – Codes of Conduct are signed annually and are available, if necessary. Issues regarding collective responsibility are unusual and are dealt with by the Chair and Chief Executive. We have no evidence relating to dealing with this type of matter as they have not occurred. All Board members undertake an annual appraisal and are available for inspection. One of the most recent issues regarded a Board Member who is a tenant who declared an interest regarding the Service Charge paper and therefore did not receive the papers and was excluded from the meeting for that item. He then requested a copy of the paper so that he could understand the issues that faced the Board on the matter. This was agreed subject to some of the paper being redacted.

All committees report their minutes and decisions made (within their delegated authority) to the Board. The Board Members are able to question committees on their decisions at that stage and take collective responsibility at that stage.

1.5 Governing body members and senior officers understand their respective roles, and working relationships are constructive and effective. The governing body provides the necessary challenge and holds the senior officer to account for his / her performance.

Albyn's response

The respective roles of the Board and the Leadership Team are detailed in the remits etc. as detailed as Albyn's response to 1.2. The working relationships have been built up over a number of years and are based on mutual trust and respect. The Board members are encouraged to ask questions at meetings but also direct to the respective senior officer if appropriate. The Chair, Vice Chair and Chief Executive meet prior to each Board meeting to ensure issues are raised if appropriate.

The Chair and Vice Chair undertake an annual appraisal of the Chief Executive and have regular supervision and performance management meetings.

This is evidenced by the following documents – Remits are available. The Chief Executive's [Job Description \(22\)](#) outlines the post's roles and responsibilities and is available for inspection. There is an [annual appraisal \(23\)](#) of the Chief Executive, and it is available for inspection. The minutes detail the discussions and questions raised by the Board of the Senior Officers. An example of this is the [Extraordinary Board meeting \(24\)](#) in July 2016 concerning Albyn's potential to grow its new build programme.

Conflicts of interest that involve senior staff are agreed at the start of meetings. Senior staff will leave the meeting when that agenda item is discussed. If the Board wishes to question the staff this is initiated by Board members. Independent advice is sought where appropriate. An example of this is the pensions and salary issues.

- 1.6 **Each governing body member always acts in the best interests of the RSL and its tenants and service users, and does not place any personal or other interest ahead of their primary duty to the RSL. The RSL maintains its independence by conducting its affairs without control, undue reference to or influence by any other body (unless it is constituted as the subsidiary of another body).**

Albyn's response

Each Board Member has completed his or her [code of conduct \(17\)](#) which includes details over conflicts of interest and how they should be handled. Albyn's decision making papers include sections on how each decision affects Albyn and its tenants and services users, and how the decision meets the Strategic Objectives as appropriate. Albyn is independent of control by others and the "Rules" clearly states its independence as a separate body.

This is evidenced by the following documents – The Code of Conduct is reviewed and signed on an annual basis. The Board members also detail their business, voluntary and where appropriate personal interests on an annual basis. All Albyn Board and Committee meeting agendas include at the start an item reminding Board and staff members about Conflicts of Interest and ask any to be noted in connection with the items on the agenda. Board Members (and staff) are excluded from the meeting when a conflict of interest exists and decisions are being made. Examples of this action occurred at the [October 2016 Board \(25\)](#) meeting when Shaun Smith left the meeting for the paper on the Private Placement and Isabell McLaughlan and Ian Fosbrooke both left the meeting for the paper on Service Charges. Occasionally staff will be involved in presenting the paper and then withdrawing during the Board/Committee's deliberations and decision making.

The Chair has on occasion reminded Board Members that they are required to consider the decisions being made purely from an Albyn perspective and not other bodies. The most recent example of this is the Growth Potential meeting in July 2016 and the Chair reminding everyone that it was Albyn's growth target they were considering and not the Highland Council's wishes which was totally subsidiary.

We have had various issues in the past few years where action has had to be taken regarding individual Board Member's behaviour or capabilities which the Chair and Chief Executive have knowledge. Due to the nature of this document we have not detailed these here.

Standard 2

The RSL is open about and accountable for what it does.

It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.

Guidance

2.1 The RSL gives tenants, service users and other stakeholder's information that meets their needs about the RSL, its services, its performance and its future plans.

Albyn's response

Albyn regularly communicates with its tenants, service users and other stakeholders via [newsletters \(26\)](#), [policy bulletins \(27\)](#) and [annual reports \(28\)](#). We provide the information by a number of means to meet a broad range of customer requirements. We regularly report performance information and will be continuously developing locally agreed standards and services to meet the Tenant's Charter outcomes.

We regularly consult with tenants about our future plans and how their impact on customers etc. Consultation takes a variety of formats as set out in our [Customer Involvement Strategy \(29\)](#).

Albyn also carries our regular [satisfaction surveys \(30\)](#) to obtain customer feedback on the services they receive and their service priorities.

This is evidenced by the following documents – All of the above documents are available. We report regularly to the various Committees survey results. We have recently commissioned work regarding our surveys and will be reviewing the length of our three-yearly residents' satisfaction survey and to supplement that with shorter surveys on specific topics as required. We are looking at greater use of text/SMS surveys supported by phone surveys, including specific surveys on the maintenance service. In this way we hope over the next few years to move to more real time collection of feedback and data. [The reports are available for inspection \(30 & 31\)](#).

2.2 The governing body recognises it is accountable to its tenants, and has a wider public accountability to the taxpayer as a recipient of public funds, and actively manages its accountabilities. It is open about what it does, publishes information about its activities and, wherever possible, agrees to requests for information about the work of the governing body and the RSL.

Albyn's response

[A report \(32\)](#) based on the minutes of all Board meetings is placed on the website together with all other publications and reports. Tenant(s) attend the (quarterly) Performance Committee as full members. We also make extensive use of newsletters, local press releases and a range of social media applications to inform customers of our activities.

This is evidenced by the following documents – The website can be reviewed for information as detailed above. We publish information on the website and send that information by post to tenants and customers as appropriate. Results of surveys and policy bulletin feedback are

circulated to tenants at the first available opportunity. This can be evidenced by looking at a number of [policy bulletins \(27\)](#).

2.3 The RSL seeks out the needs, priorities, views and aspirations of tenants, service users and stakeholders. The governing body takes account of this information in its strategies, plans and decisions.

Albyn's response

We regularly consult with tenants about our future plans and how they impact on tenants etc. We carry out full Customer Satisfaction surveys at least every three years, along with a range of rolling surveys at the point of service delivery for a number of key activities. We consult with our customers on any issues that directly affect them by a range of means, including policy bulletins, web based surveys, meetings and focus groups and through registered tenant groups.

Tenant(s) attend the (quarterly) Performance Committee as tenant members. Tenant feedback is also reported as a part of our standard Board reporting format and is taken into account in forming recommendations and in our decision making processes. At the AGM in September 2016 a tenant was elected to the Board. He replaces a previous tenant member. He has been a tenant member of the Performance Committee for about a year before being elected. We now do not have any tenant members attending the Performance Committee (except for the Board member who is a tenant). We are actively encouraging other tenants through our consultation groups for other candidates.

This is evidenced by the following documents – The website can be reviewed for information as detailed above. We publish information on the website and send that information by post to tenants and customers as appropriate. Results of surveys and policy bulletin feedback are circulated to tenants at the first available opportunity. This can be evidenced by looking at a number of policy bulletins.

2.4 The RSL is open, co-operative, and engages effectively with all its regulators and funders, notifying them of anything that may affect its ability to fulfil its obligations. It informs the Scottish Housing Regulator about any significant events such as a major issue, event or change as set out and required in our notifiable events guidance.

Albyn's response

We have regular meetings with our funders and our main regulator, the Scottish Housing Regulator (SHR). We have an open and co-operative relationship with them and when appropriate we notify the SHR and funders of issues that affect the business.

This is evidenced by the following documents – We have had several meetings with the RBS over recent months concerning Private Placements. They presented to the Board in May 2016 and this is evidenced in the [minutes of that meeting \(33\)](#). We have had email correspondence with our two main funders concerning issues surrounding the adoption of FRS 102. A paper was considered at the Board meeting in October 2016 regarding the necessary changes to the main covenants caused by FRS 102. Due to delays by the RBS this issue has been remitted to a sub-committee that has been created to approve the final deal regarding the Private Placement. The covenants require to be agreed with RBS to enable the Private Placement to be concluded.

Our relationship with SHR may be characterised as constructive and healthy. We have regular meetings with them. These meetings are attended by both the Chief Executive and the Chief Operating Officer. Minutes are prepared of these meetings. Board members are regularly informed of any issues arising from these meetings. Evidence of Board discussion on SHR raised issues are evidenced by the papers and minutes on the Governance examination being undertaken by the SHR and the report in [August 2016 \(34\)](#). We are of the view that the relationship is based on an open and trusted basis where all issues are aired. This is best evidence by reviewing our Regulation Plans from recent years.

We have over a number of years had meaningful discussions with the Regulator concerning the re-organisation, pensions. Aviemore Biomass system and the future of the Calbyn hotel project.

Standard 3

The RSL manages its resources to ensure its financial well-being and economic effectiveness.

Guidance

- 3.1 The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.

Albyn's response

Albyn has detailed Financial Regulations and a [Treasury Management Policy \(35\)](#) which govern these areas of our operations. These policies are reviewed regularly. Both documents are based on draft policies as published by CIPFA.

The policies enable Albyn to have adequate controls over its finances and to strike the right balance between costs and outcomes. The Finance Regulations detail procedures concerning security of assets. We also have a detailed [policy and procedure \(36\)](#) that complies with the SHR Guidance on "Consent to Disposals of Land or Assets – published April 2012".

Albyn undertakes an annual budgetary exercise which covers the next five years. This currently shows that we are able to meet our commitment from our financial and staffing resources. Albyn also has a significant loan portfolio and has agreed unused facilities which will ensure that we have sufficient liquidity to pay our debts as they fall due over the short and medium term. Albyn also plans to undertake a Private Placement Bond in the Autumn of 2016 to ensure that we have sufficient funding for the proposed 750 properties in five years' programme.

Albyn also prepares a Thirty Year Financial Plan which indicates that we should be able to continue to pay our commitments as they fall due. This plan also includes a number of scenarios. If some of the scenarios become reality the Board and management of Albyn should be able to redirect resources and reconfigure the organisation to ensure Albyn's financial wellbeing.

The documents detailed in our comments above are available for inspection. The annual Budget is approved in March each year. A revised Budget is submitted to the Board in June each year to incorporate the actual audited accounts' results for the previous year. This Budget is approved at that Board meeting and is the basis of the Five Year Financial Forecast. The papers for the various approvals are available for [March and June 2016 \(37 and 38\)](#).

The 30-year Finance Plan has been totally updated and presented to the Board in July 2016 as information supporting the growth capacity paper at that meeting. This has been forwarded to both RBS and SHR for comment and incorporation into the assessments that they are required to undertake. The summary document has been included in the Board papers for July 2016. The [actual spreadsheet \(39\)](#) is available from the Finance & Corporate Services Manager, Shannon Watson.

Albyn has over the years had to consider various issues that would impact on the financial wellbeing of the Society. The Board has considered these and where appropriate arranged specific ways of assessing and dealing with the issue. Examples of this are the Pensions Sub-Committee, specific reports on the Aviemore Bio-Mass system, Calbyn Hotel and understanding why it had not been proceeded with,

3.2 The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks. Where the RSL makes use of financial derivatives it applies the guidance at 3.13.

Albyn's response

The [Treasury Management Policy \(35\)](#) details the reporting required to the Board concerning the Loan Portfolio. This includes an annual report to the Board that ties into the report cycle to SHR for the Loan Portfolio Return. The Board approves the interest rate strategic direction and approves the specific loan fixes that are required to deliver this strategy during the year.

The Board regularly receives reports on the impact of interest rates on the financial position of Albyn. This is part of the annual budget exercise, thirty year financial projections and the annual review of the loan portfolio.

Albyn has not used any financial derivatives to this point; however, our rules include the ability to use these products if appropriate.

The Financial Strategy of Albyn includes maintaining a limited amount of surplus cash and not to build up cash balances and therefore the investment of surplus cash is detailed within the policy but is unlikely to affect the business.

This is evidenced by the following documents – The Board received the [Loan Portfolio Return \(40\)](#) that is required by the SHR at their June meeting. At that meeting they received a summary document detailing the loans that we have as at the previous March, this includes the funder, the amount, fixed loans versus variable, interest rates charged on loans in terms of margin, overall interest cost as a percentage, repayment terms. This document includes recommendation on actions to be taken over the next year regarding the portfolio. The papers [and minutes \(41\)](#) of the June 2016 meeting are available for inspection.

We have had specific reports prepared for the Board on loan and funding issues. We are currently involved in a potential Private Placement and a series of papers were submitted to the Board between [July and August 2016 \(42\)](#) and they are available. The Board approved the extension of the RBS loan facility in January 2016 with the finalised paperwork being approved in May. These [reports and the minutes \(43, 44 and 33\)](#) are available.

The quarterly Management Accounts make specific commentary regarding the current position of our loans and available funding not yet drawn-down. We also comment on the covenant position and give the associated figures. The Management Accounts are discussed by the Performance Committee.

The organisation has not undertaken any financial derivatives to date. This may be considered as part of the Private Placement process.

3.3 The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.

Albyn's response

Albyn's Business Planning process is detailed as part of 1.1 above. The budget setting is part of this planning and control framework set out for the Business Plan. The main way that Albyn monitors its financial performance is by preparing detailed quarterly Management Accounts which include comparison against budget, and a detailed commentary. The Management Accounts are reviewed and approved by the Performance Committee.

Albyn's standard report to the Board on which decisions are based includes a "Financial Implications" section which is approved by the Chief Operating Officer or the Finance & Corporate Services Manager prior to submission to the Board (if no financial implications are associated with the report then this will not be the case). This together with the risks section ensures that all decisions made are based on an understanding of the financial implications of the decision and the risks associated with the decision.

This is evidenced by the approved Business Plan, the quarterly reporting on Performance, Action Plans and Management Accounts which have been discussed above and are available for inspection. The Board papers are available utilising the standard format. Any set of papers will demonstrate this. The Audit Committee also receive a Risk Management Monitoring report which updates them based on the Risk Management Framework that is approved as part of the Business Plan. This is available as part of the [June 2016 Audit and Risk Management Committee \(45\)](#) papers.

Where specific issues exist the Board will make specific actions on how these will be addressed, Examples of this includes the pensions issue, and Calbyn hotel and more recently the considerations surrounding the Growth Strategy

3.4 The RSL bases its financial forecasts on appropriate and reasonable assumptions and information.

Albyn's response

The Budget (incorporating the next Five Years) and the Thirty Year Plan (using the budget for the first five years) are based on detailed assumptions which are detailed as part of these two documents. The Budget is based on historical trends and information and actual results as reported. The Budget also takes account of the financial impact of decisions and actions that have been taken or are detailed in the Business Plan.

This is evidenced as both the Budget and the Thirty Year Plan contain a list of assumptions as part of the workings and the commentary that accompanies these documents. This is available for review. At their July 2016 meeting we presented the Thirty Year Plan. The assumptions on which the financial model was based included assumptions on rental growth, inflation, salaries, staff growth, interest rates, inflation rates for various cost types, payment terms for creditors, development growth in terms of units, cost, grant rates and cost of new funds, rent arrears including Universal Credit implications. The Board then asked to consider if these assumptions were realistic and played a number of scenarios. This was done in real time and the Board were able to get a clear grasp of the implications. This included raising the rents by CPI only and associated changes, amongst others. The July 2016 papers are available.

3.5 The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

Albyn's response

As part of the Management Accounts we review on a quarterly basis compliance with our main financial covenants. The Management Accounts are reviewed by the Performance Committee. The Chief Operating Officer and Finance & Corporate Services Manager are in regular discussion with Albyn's main funders and monitor the covenant position with them and report to the Board as appropriate. The Board will consider any action required to mitigate any issues based on situation.

This is evidenced by the detail included in the quarterly Management Accounts and the Budget which checks the forecast on the covenant position. The Board is also aware of ongoing discussion with a number of funders regarding FRS102 adoption and the implications on the covenant workings. This includes the preparation of [Board papers for October 2016 \(20\)](#) agreeing the new methods These will be available as evidence of this.

The risks associated with availability of finance, interest rate exposure, and cash flow in general are detailed within the Business Plan and the Risk Management section in particular. These risks are monitored as part of the report that is submitted to the Audit and Risk Management Committee as detailed in 3.3, above, and is available for inspection.

3.6 The governing body sets the employee remuneration levels at a level to be sufficient to ensure the appropriate quality of staff to run the organisation successfully but avoid paying more than is necessary for this purpose.

Albyn's response

Albyn's salaries are currently linked to the EVH Salary Guidelines which govern the salaries paid to a large number of RSLs working in Scotland. Albyn undertook a complete Job Evaluation Exercise effective 2005 and this was reviewed and updated for all posts in June 2015. It has graded all posts using an analytically based procedure. The results of the Job Evaluation exercise currently link jobs to specific ranges on the EVH spinal point lists.

The Board are completing a market analysis regarding the rewards structure which was reported to the Board in June 2016.

This is evidenced by the Job Evaluation exercise that was reported to the Staffing, Health & Safety & Environment Committee in May 2015. The review of the Job Evaluation process was conducted by ACAS, GMB (the recognised union) and Albyn's HR Officer. All posts were then re-examined by this group. The [reports \(46\)](#) that were prepared are available.

The Job Evaluation results place staff on spinal points based on but evolved from those used by EVH. This policy and associated procedure were agreed as an update of the 2005 exercise. The Board commissioned a report by WhiteCube to check the job and salary market as an independent check. This report can be obtained from the Chair.

3.7 The RSL provides accurate and timely statutory and regulatory financial returns to the Scottish Housing Regulator.

Albyn's response

Albyn takes pride in providing the SHR with the information it requires accurately and on time. We have to date always provided the information on time or well in advance of the deadline.

This is evidenced as follows:

RETURN REQUIRED	DATE REQUIRED	MONTH DELIVERED	WITHIN DEADLINE
Annual Charter Return (ARC)	31 May 2016	May 2016	✓
Loan Portfolio Return	30 June 2016	June 2016	✓
Five Year Financial Forecast	30 June 2016	June 2016	✓
Annual Accounts for AHS	30 September 2016	June 2016	✓
Annual Accounts for AEL	30 September 2016	July 2016	✓
Auditor Findings Report (for AHS and AEL)	30 September 2016	June 2016	✓
Annual Accounts Return	30 September 2016	June 2016	✓

All other statutory returns are completed and made to the appropriate bodies within the statutory time limits. These include OSCR and FCA.

Standard 4

The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

Guidance

- 4.1 The governing body ensures it receives good quality information and advice from staff and, where necessary, expert independent advisers, that is timely and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions.**

Albyn's response

The Board papers are prepared in a [standard format \(19\)](#) which ensures that the decision required is clearly stated. The paper also outlines where appropriate the financial consequences, risk management issues, and options regarding the decision etc. The Board will, when required, obtain independent advice on decisions and all meetings are minute. These minutes, together with the Board paper, clearly show the basis on which decisions are reached.

This is evidenced by the following documents – Board papers are prepared for each meeting, and example papers are available for [October 2016 \(20\)](#). The papers are in a set format with the headings as detailed above as appropriate. The Board has obtained independent advice as evidenced by the WhiteCube consulting report into salary levels following the completion of the Job Evaluation exercise. [Minutes for the June meeting \(41b\)](#) are available for inspection.

Historically, examples ensure that the Board is basing decisions on appropriate advice and an examples are the pensions where advice was obtained from pension advisors and employment lawyers, Calbyn Hotel when HIE commissioned work on the prospects of a successful project, and the reorganisation where employment advice was sought and taken.

- 4.2 The governing body challenges and holds senior officers to account for their performance in achieving the RSL's purpose and objectives.**

Albyn's response

A detailed [Business Plan \(5\)](#) is approved annually. The Business plan establishes the Albyn's (Group) purpose, priorities and objectives. The business plan and associated action plans are the basis of the quarterly performance report that is scrutinised by the Performance Committee. The Audit committee also oversee a regular programme of internal audit visits and scrutinise the auditor reports and management responses

This is evidenced by the following documents – the Business Plan is available. The Performance Committee receive quarterly reports based on the KPIs agreed by the Board as part of the annual business planning process. This is [available for scrutiny \(6a\)](#). They also receive a report about the key projects that were approved within the business plan. This is [available for scrutiny \(6b\)](#). The Audit and Risk Management Committee is responsible for agreeing the work to be done by the internal auditors and receiving their reports. The work for 2015-16 was agreed in October 2015 and performed over the winter with the report being approved by the Audit and Risk Management Committee in March 2016. Both of these [reports are available \(47\)](#) together with the [minutes \(48\)](#) of the two meetings.

4.3 The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.

Albyn's response

Albyn has developed a Risk Management Strategy and Framework. The Framework is part of the Business Plan. The "Red Box Risks" are reported quarterly as part of the Audit Committee papers and regularly reviewed by the Leadership Team.

The Board papers on which Board decisions are based include a section on Risk Management (where appropriate). This section includes an analysis of the risks we face if we action the decision as well as maintaining the status quo.

The Audit Committee has within its remit Internal Control and Audit. The Audit Committee oversees and receives reports from internal audits. The performance of the Internal and External Audit is reported annually to the Audit Committee for their consideration.

Internal controls are regularly reviewed by the Leadership Team, and a programme of policy reviews is in place.

This is evidenced by the following documents – A summary of the Risk Management Framework is included in the Business Plan. This is [available for review \(49\)](#). A detailed analysis of each risk identified is completed annually and is available. A risk update is prepared for the Audit and Risk Management Committee. This report is reviewed and updated and also displays a trend analysis of the risks included and how the mitigation factors are progressing. A [copy of this report \(45\)](#) to the Audit and Risk Management Committee in October 2016 is available. The [minutes of that meeting \(50\)](#) includes a discussion on the format of the report and outlined some improvements that we should consider implementing. The Audit and Risk Management Committee prepares an annual report for the Board on its activities. This was presented to the Board in June 2016. This is [available \(51\)](#).

The Board papers include a risk section where appropriate. Board papers are available for checking. The Board paper in July 2016 concerning growth capacity shows a full risk analysis of the growth potential of Albyn. This is [available for review \(52\)](#).

Historically the Board has considered issues based on exception such as pensions, the Aviemore biomass and Calbyn / Artysans Hotel. [Various Board papers \(53, 7 and 54\)](#) are available that detail the level of scrutiny and discussion and the risk management approach taken by both the Board and Senior Staff.

- 4.4 Where the RSL is the parent within a group structure it fulfils its responsibilities as required in our group structures guidance to:**
- (a) control the activities of, and manage risks arising from, its subsidiaries;**
 - (b) ensure appropriate use of funds within the group;**
 - (c) manage and mitigate risk to the core business; and**
 - (d) uphold strong standards of governance and protect the reputation of the group for investment and other purposes.**

Albyn's response

Albyn has a subsidiary – Albyn Enterprises Limited (AEL). This is a wholly owned subsidiary which has been established to carry out the trading activities that Albyn cannot undertake as a charity.

The Albyn Business Plan details the requirements for the Group as a whole. The AEL Board operates within these guidelines.

The two companies have agreed and approved an “[Independence Agreement](#)” (55) (updated February 2015) that details the corporate governance rules and the reporting requirements. This agreement also states that the AEL will adopt the appropriate group policies, ethics and business culture that are exhibited by the Group.

Albyn's Business Plan details the risk management framework and the strategy. AEL adopts a similar risk management framework as the Group.

AEL should be self-funding in revenue terms. Capital investment will need funding. These sources of funding may be made available from Albyn. These will be considered by both Boards on a case by case basis based on a business case approach. Consents from SHR, HMRC and the funders will also be obtained as necessary.

This is evidenced by the following documents –The [Independence Agreement](#) (55) is available. Nomination of independent Board members can be demonstrated by the AHS Board paper in [August 2016](#) (56). The Business Plan for Albyn incorporates both AHS and AEL activities. AHS approves the group plan. The [Risk Framework](#) (49) incorporates AEL activities such as factoring.

AEL has made two loan funding applications to AHS. One for [Solar Panels](#) (57) in 2011 and another for [IT expenditure](#) (58) in 2014. Both are available but the paperwork for the IT expenditure was in March 2015 and includes SHR approval.

During the last year we have incorporated a dormant company named Highland Residential (Inverness) Limited.

Standard 5

The RSL conducts its affairs with honesty and integrity.

Guidance

- 5.1 The RSL conducts its affairs with honesty and integrity and, through the actions of the governing body and staff, upholds the good reputation of the RSL and the sector.**

Albyn's response

Board Members and staff are subject to codes of conduct and Employment Law. We conduct our affairs in an open and honest way based on the integrity of all those involved with the Society. We operate on a day to day basis to uphold the reputation of the RSL and the sector.

All Board members and staff are subject to annual appraisals which are based on an open and honest discussion about performance and contribution made to the Society.

This is evidenced by the following documents – Appraisals are completed for all Board members – these are [available \(59\)](#) for inspection.

- 5.2 The RSL upholds and promotes the standards of behaviour and conduct it expects of governing body members and staff through an appropriate code of conduct. It manages governing body members' performance, ensures compliance and has a robust system to deal with any breach of the code.**

Albyn's response

All Board members agree (in writing) annually to the Code of Conduct. Staff are governed by the Terms and Conditions of their employment contracts. Board members are subject to annual appraisals and the Board collectively reviews the performance, conduct and behaviour of the Board establishing improvement plans when appropriate. Board members have systems and procedures in place for dealing with breaches of the Code of Conduct.

Douglas Russell (Chair) and Angus Macmaster (Board Member and Partner in an accountancy Firm) attended "Governance Matters" seminar organised by the SHR on 16 March of this year

This is evidenced by the following documents – Board members' Codes of Conduct are [available \(17\)](#) for inspection. Staff employment contracts are available for inspection. Board member appraisals are completed and include required training and development and are [available \(59\)](#) for inspection.

Breaches of the Code of Conduct are dealt with by the Chair and Chief Executive. Examples of breaches and our records of investigations that have occurred over the last twenty years are [available \(60\)](#).

5.3 The RSL pays due regard to the need to eliminate discrimination, advance equality and foster good relations across the range of protected characteristics in all areas of its work, including its governance arrangements.

Albyn's response

Albyn has effective policies and procedures which ensure that discrimination is eliminated wherever feasible. Recruitment practices at Board and staff level are designed to ensure that discrimination is not allowed in the selection process and interviews include questions on discrimination and the beliefs of the candidates. The culture established within the Group is one where discrimination is not allowed. Access to services is also designed to be non-discriminatory.

This is evidenced by the following documents – [Equalities and Diversity Statement \(61\)](#) (approved May 2014). This statement is the umbrella document for Albyn and is supported by specific policy documents. Our recruitment practices are documented and our Human Resources team monitor all recruitment. This includes advertising agreed Job Descriptions and Person Specifications, agreeing with operational managers the interview day and being present at the interview. Best practice is the basis of our recruitment practices to ensure that they are anti-discriminatory. Examples of recent recruitment exercises are [available](#) from the Head of HR for inspection.

We have various policies and procedures to ensure anti-discriminatory practices in all the activities of the Society including allocation of properties, work contractors, etc. Evidence is [available \(62\)](#) as part of our policies and procedures.

5.4 Governing body members and staff declare and manage openly and appropriately any conflicts of interest and ensure they do not benefit improperly from their position.

Albyn's response

Each Board member has completed his or her code of conduct which includes details over conflicts of interest and how they should be handled. Albyn's decision making papers include sections on how each decision affects Albyn and its tenants and services users, and how the decision meets the Strategic Objectives. Conflicts are declared at meetings prior to discussion and Board members absent themselves from the room for that item.

Staff declare any personal interest regarding papers being discussed, if personal then the individual absents themselves and another member of the Leadership Team deputises for them. If it is a collective interest the paper is introduced by the appropriate member of the Leadership Team and then the Leadership Team absents itself for the discussion and decision.

Where appropriate external consultants may be used if the conflict (concerning the Leadership Team) is deemed not to be managed by the above procedure. The External Consultant will be commissioned by the Board who may involve staff if appropriate in the discussions.

This is evidenced by the following documents – Board Codes of Conduct are agreed by each Board member on an annual basis. This includes details of any known conflicts. The Codes and any conflict details are [available \(17 and 63\)](#) for inspection.

Each Board meeting asks for any conflicts to be noted in the minutes. Board and staff members leave the room, for that item of business, if a conflict is noted. See Board minutes – [June and August 2016 \(41b and 34b\)](#) include examples of such conflicts. External consultants have been used by the Board when staff have conflicts with the paper, for example employment terms and conditions. The two main examples of this was the exercise in 2014 to cease offering Defined Benefit Pensions to current and future staff. Mr G Birrell of Chiene Tait was commissioned to advise the Board. The other example was review of staff salaries following the completion of the Job Evaluation exercise to ensure marketability of salary for posts. This was completed by WhiteCube Consulting. The Board have lead in implementing the recommendations. The report is available from the Chair.

5.5 The governing body is responsible for the management, support, remuneration and appraisal of the RSL’s senior officer and obtains independent, professional advice on matters where it would be inappropriate for the senior officer to provide advice.

Albyn’s response

The Board has set the Chief Executive’s remuneration package to be linked to the EVH spinal points. Pensions and expenses are in accordance with policies and procedures for all employees of the Society.

The Board has reviewed the Guidance issued by the SHR and feels that due to the link with EVH and that other remuneration packages issued are based on procedures that relate to all employees, then they comply with the guidance.

The Board are completing a market analysis regarding the rewards structure which is due to report to the Board in June 2016.

This is evidenced by the following documents – Board have utilised WhiteCube to check the market for senior members of staff, and this report is available from the Chair.

5.6 There are clear procedures for employees and governing body members to raise concerns or whistleblow if they believe there has been fraud, corruption or other wrongdoing within the RSL.

Albyn’s response

The Board has approved a [Whistleblowing Policy \(21\)](#) and Procedure which has been circulated to all Board members and staff and is available on our intranet. Albyn also has a [Fraud Policy \(64\)](#) and a Register for fraud incidents. The register is examined annually by the Chair of Audit and reported to the Audit & Risk Management Committee. This was last done in June 2016 and is [duly minuted \(65\)](#).

This is evidenced by the following documents – the policy is available for inspection.

Standard 6

The governing body and senior officers have the skills and knowledge they need to be effective.

Guidance

- 6.1 The RSL has a formal, rigorous and transparent process for the election, appointment and recruitment of governing body members. The governing body annually assesses the skills, knowledge and diversity it needs to provide capable leadership, control and constructive challenge to achieve the RSL's purpose, deliver good tenant outcomes, and manage its affairs.**

Albyn's response

The election of Board members is governed by the Rules of the Society which are based on SFHA's model charitable rules. Albyn has actively undertaken a recruitment exercise over the past few years to identify individuals with the skills deemed necessary at that time. We have three new Board members elected at Septembers AGM. We advertised for interested individuals, requesting CVs. They were interviewed by the Chair, Vice-chair and Chief Executive and recommendations made to the Board on suitability and the Board recommended these individuals to the AGM. The Board paper was approved at the August 2016 meeting.

Board members are appraised annually by the Chair and the Chief Executive. The Chair is subject to an appraisal carried out by fellow Board members and the Chief Executive.

This is evidenced by the following documents – [Albyn's Rules \(14\)](#), [Board Recruitment Paper \(56\)](#) to the Board August 2016 including the results of the "interview" process, Board appraisal of the [Chief Executive \(23\)](#), and the [Chair's Appraisal \(59\)](#).

- 6.2 The RSL plans effectively to achieve the appropriate and effective composition and profile of governing body members through on-going performance evaluation and active succession planning. The governing body is able to assure that any nonexecutive member seeking re-election after nine years' continuous service can demonstrate their continued effectiveness.**

Albyn's response

The Board members individually undertake an annual appraisal, which includes an evaluation of performance. The Board reviews its own performance annually including a review of the skills required and how effectively those skills are demonstrated. We undertake a proactive recruitment exercise when needed to find the skills that are required within the Board membership.

The Board is able to demonstrate that all Board members are effective no matter the time served on the Board. If Board members are serving for more than nine years Albyn will demonstrate this at the time.

This is evidenced by the following documents – [Board member Appraisals \(59\)](#) in 2016, Board paper on completion of individual appraisals outlining a training and development programme for the Board, including discussion on overall working of the Board. November 2015 received a [report \(66\)](#) outlining the results of that year's Board Members' appraisals and the resultant training and development requirements. Recruitment exercise based on skills identified as required including advertising, interview and recommendations to the Board (August 2016). Board members who have served nine or more years are specifically asked at their appraisal to demonstrate effectiveness, as evidenced by the appraisals for [Isabell McLaughlan \(59\)](#) and [Jim Convery \(59\)](#).

- 6.3 The RSL supports new governing body members with effective induction to enable them to exercise their governance responsibilities. Existing governing body members are given on-going support and training to sustain their continued effectiveness.**

Albyn's response

A detailed induction programme is undertaken by all new Board members which includes sessions with the Chief Executive, Chief Operating Officer and managers. Regular information sessions are held and are made available to all Board members. Board member appraisals include a section on future training requirements and each Board member is allocated a budget for training.

This is evidenced by the following documents – A [Board Induction programme \(67\)](#) specifically designed, based on the skills that individuals bring to the Board. In September 2016 we have three new members. Meetings have been arranged in October with the relevant parties. This can be evidenced by discussing the induction process with the three new Board Members. The training requirements of the Board are detailed in the training programme for Board members which is approved by the Board in the autumn of each year.

- 6.4 If the governing body decides to pay any of its non-executive members then it has a policy framework to demonstrate clearly how paying its members will enhance decision-making, strengthen accountability and ownership of decisions, and improve overall the quality of good governance and financial management.**

Albyn's response

Albyn currently does not pay its non-executive members except for expenses. The expenses paid are in line with our policy.

This is evidenced by the following documents – the Board has considered this in the past, and reviewing the current position not to pay any Board posts is in the [Business Plan's \(5\)](#) Action Plan for 2016/17.

6.5 The governing body is satisfied that the senior officer has the necessary skills and knowledge to do his / her job.

Albyn's response

The recruitment procedure for the Chief Executive includes the requirement to utilise external consultants including detailed interview techniques.

A formal appraisal of the Chief Executive is undertaken annually. Regular supervision sessions are completed with the Chair and Vice Chair.

This is evidenced by the following documents – The current Chief Executive has been in post since 2001. At that time external consultants were employed. There is evidence of this in the Chief Executive's personnel file. The Chief Executive's appraisal is [available \(23\)](#) which includes a detailed discussion on his performance and a review of ongoing professional development.