

**Minute of the meeting held Tuesday 11<sup>th</sup> July 2023**  
**at 5.30pm, on MS Teams/HQ Board Room**

<b>Present:</b>	A. Russell	(Chair, HQ)
	D. Boyle	(HQ)
	J. Roberts	(Teams)
	C. Robertson	(Teams)
	A. Fyfe	(HQ)
	M. McMurdo	(HQ)
	P. Shepherd	(HQ)
	D. Hogg	(Teams)
	R. Burnett	(Teams)
	S. Qadar	(Teams)

<b>In attendance:</b>	A. Linton	(Chief Executive, HQ)
	F. Morrison	(Deputy Chief Executive, HQ)
	M. Percival	(Director of Property, HQ)
	J. Williamson	(Auditor, Findlays, HQ – Item 3.1 & 3.2)
	C. Lyall	(Auditor, Findlays, HQ – Item 3.1 & 3.2)
	L. Davidson	(Board Services Officer, HQ)

***Action by***

**1. *Introduction***

**1.1 *Apologies for Absence***

Apologies for absence were received from T. Kirby.

**1.2 *Declarations of Interest***

There was one declaration of interest from A. Russell for Item 5.1.

**3. *Business Matters and Approvals (brought forward)***

**3.1 *Statutory Accounts to 31 March 2023***

J. Williamson presented the Statutory Accounts for Hillcrest Homes for the year to 31 March 2023. The financial results for the year was an overall surplus of £1.8M. The auditor presented an overview of the statement of comprehensive income and financial position to the Governing Body.

The Governing Body were previously made aware of a potential breach of covenants in year one of the budgets and SHR have also been made aware of this potential breach. The Chief Executive has engaged early and been in regular discussions with the lenders about the potential amendments or a waiver to the covenants but there has been no final agreement at the time of this meeting. Whilst the Governing Body is confident that lender approval will be obtained, the auditors concluded that this represents a material uncertainty as a going concern.

#### **S. Qadar joined the meeting.**

The auditors noted as the statutory accounts have been prepared on a going concern basis, the following options are available for the Governing Body in relation to approval of the accounts:

- Delay approval until final agreement has been received from the lenders on amendment or waiver to the covenants. There is no timeframe for this to be confirmed by the lenders and may exceed the deadline for submitting the accounts and the need to postpone the AGM.
- Proceed with approval of the accounts with the inclusion of disclosure notes in relation to the potential breach of covenants. The auditor to also include a note to confirm that the audit report is not qualified in this regard.

The Governing Body noted that they had no concerns regarding the going concern of the organisation. The Chief Executive confirmed that the discussions with the lenders have been positive to date. The Governing Body were supportive of proceeding with the approval of the accounts with the addition of the disclosure notes. It was agreed that a further meeting will be held next week with the addition of the notes for approval.

*The Governing Body approved the statutory accounts subject to the inclusion of disclosure notes in relation to the potential breach of covenants.*

### **3.2 Auditors Correspondence**

The management letter and response will be updated due to the discussions held in agenda item 3.1.

#### **A. Linton, F. Morrison and M. Percival left the meeting.**

The Chair provided the Governing Body with an opportunity to raise any issues with the auditor.

J. Williamson confirmed that there are no specific issues to raise and that Hillcrest staff have fully supported the audit process, noting in particular that staff were well organised and available for all meetings.

There were no questions from the Governing Body to raise with the auditor and the Chair thanked the auditors for their attendance.

*The Governing Body deferred approval and signing of the draft response to the management letter and letter of representation.*

**A. Linton, F. Morrison and M. Percival joined the meeting.**

**J. Williamson and C. Lyall left the meeting.**

## **2. Minutes and Matters Arising**

### **2.1 Minutes of the Governing Body meeting held on 23 May 2023 and matters arising**

*The minutes were approved as an accurate record of the meeting.*

Matters arising:

Item 2.1 – the updated format of the Entitlements, Payments and Benefits Policy will be circulated to the Audit and General Purposes Sub Committee by email.

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### **2.2 Minutes of the Operational Sub Committee meeting held on 16 May 2023**

The Convenor of the Operations Sub Committee provided the highlights from the meeting:

- Tenant satisfaction – the lowest overall levels were recorded for tenants in Fife and follow up survey and door knocking exercise will be carried out to understand the measures required to increase satisfaction.
- Additional members of the tenant scrutiny panel are being recruited to increase numbers.
- Upskilling of joiners to carry out plumbing tasks is now underway.

*The Governing Body noted the minutes.*

### **2.3 Minutes of the Audit and General Purposes Sub Committee meeting held on 30 May 2023**

The Convenor provided an overview of the highlights from the meeting:

- Equality, Diversity and Inclusion training will be provided to all staff and Board members.
- The 3 year internal audit plan was approved. The addition of a Board Effectiveness Review will be carried out in place of the planned review of staff recruitment and retention in Hillcrest Futures.

*The Governing Body noted the minutes.*

### 3. ***Business Matters and Approvals (continued)***

#### 3.3 **Treasury Management**

The Governing Body considered the report prepared by ATFS and the recommendations set out by the financial advisors regarding protection against future interest rate rises. The report provided background to the current situation, the loan portfolio for Hillcrest Homes, interest rate management guidance and indicative rates of longer term swaps. The report also included an overview of the economy including more recent predictions of interest rates over the next 5 years. The recommendations set out by ATFS are for Hillcrest to test the market for longer term swaps to manage exposure to future interest rate hikes, alongside managing interest costs and loan interest covenant calculations.

The Governing Body noted that Hillcrest currently has approximately 70% of borrowing on fixed rate loans and 30% on variable rates. The Governing Body discussed if the ratio of fixed to variable rate loans should increase to provide further mitigation against future interest rate rises. The Governing Body was supportive of increasing fixed rate borrowings as given the latest interest rate rises, short term swaps are high with expectations of possible further base rate rises over the next 6 months.

The Governing Body discussed the parameters to allow the Chief Executive to liaise with the financial advisors to test the market on further swap deals. To provide more stability and protection against future interest rate rises, the Governing Body agreed to give delegated authority to the Chief Executive to increase the ratio of fixed rate loans to 80% at a maximum rate of 4.25% for any given new swap arrangement. The Chief Executive will use these parameters to test the market with the appropriate existing lenders to achieve the most beneficial rate for Hillcrest within these parameters, subject to taking ongoing advice from ATFS.

Hillcrest Homes has adopted the CIPFA Code of Practice and Cross Sectoral Guidance Notes for Treasury Management and this has now been updated. The amended policy incorporating the changes was presented to the Governing Body.

*The Governing Body:*

- *Approved delegated authority for the Chief Executive to test the market with the parameters of increasing the fixed rate loans to 80% at a maximum rate of 4.25% for any given swap agreement.*
- *Approved the changes to the Treasury Management Policy in line with the updated CIPFA Treasury Management Code of Practice.*

### 4. ***Performance Monitoring***

#### 4.1 **Subsidiary Report**

The Chief Executive presented the update on the key matters within the subsidiary companies:

Enterprises – the risk regarding the government legislation to freeze rents has been reduced due to the recent announcement that there will be a cap rather than a freeze. The rent cap remains in place until the end of March 2024 and it is anticipated that the provision of mid-market rent properties by RSLs will not be included in the rent control measures that are in place. If this is not the case, the Governing Body may need to undertake a financial analysis as to whether Hillcrest continues to develop MMR properties.

Maintenance – the Head of Maintenance has handed in his notice and the post is currently being advertised.

Futures – there were 2 confidential items considered by the Board. There will be an emphasis on internal audit of services, a full review of responsibilities of manager posts as part of the restructure and focus on financial stability. The second confidential item was verbal update from the Convenor of the Audit and General Purposes Sub Committee and this will be discussed in Item 5.3 of this meeting.

*The Governing Body noted the report.*

## **5. Governance Matters**

### **5.1 Governance Matters**

The Deputy Chief Executive provided an update on the following governance matters:

- Annual Assurance Statement – correspondence has been received from the Regulator in regards to the annual assurance statement with a focus this year on tenant and resident safety and collection of equalities information.
- Board recruitment – there were ten notes of interest and meetings have been held with the individuals. Of the ten, three are interested in joining and meet the skills requirements for Hillcrest Homes. Membership applications have been received and presented for approval. The remaining seven noted an interest in the subsidiary Boards and will be subject to final approval from the relevant Boards. A. Russell also noted an interest in joining the Hillcrest Futures Board.
- Board appraisals – the Chair has completed the appraisals for the Hillcrest Homes Governing Body members and Chair of the subsidiary Boards. A summary of the areas of development will be prepared.

*The Governing Body noted the following:*

- *The information relating to Board member appraisals.*

- *The AGM arrangements.*
- *The letter from the Regulator regarding the focus for the Annual Assurance exercise this year.*

*The Governing Body approved the following:*

- *The membership applications from the prospective Governing Body members.*
- *The appointments onto the Board of Hillcrest Futures, Maintenance and Enterprises, subject to final approval by the subsidiary Boards.*

## **5.2 Regulatory Framework Consultation**

The Scottish Housing Regulator introduced the Regulatory Framework in 2019 with a commitment to review it after 5 years. The Governing Body considered the report which contains information on possible amendments and the draft response with feedback.

*The Governing Body approved the draft response.*

## **M. Percival left the meeting.**

## **5.3 Confidential Item**

*This minute has been removed due to commercially sensitive information.*

## **6. Other Issues**

### **6.1 Training/Conference Opportunities**

Details of the SFHA Governance Conference were shared with the Governing Body which may be of interest.

The Governing Body also noted the update reports from the Chair for the conferences recently attended, SFHA Annual Conference and RIHAF Summer Study Tour.

*The Governing Body noted the report.*

### **6.2 A.O.C.B.**

This was the last meeting that A. Russell will Chair and the Governing Body and staff thanked him for his contribution on the Hillcrest Homes Board for the last 27 years. A celebratory dinner will be arranged for September. A. Russell also thanked the support he has received during his time on the Board from staff and the Executive Team.

**7. *Date of Next Meeting***

Thursday 20<sup>th</sup> July 2023 – additional meeting  
Tuesday 10<sup>th</sup> August after AGM

There being no other business the Chairperson thanked members  
for their attendance and closed the meeting.

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