

**Hillcrest Homes (Scotland) Limited  
Governing Body Meeting**

**Item 2.1**

**Minute of the meeting held Tuesday 23<sup>rd</sup> May 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)

<b>In attendance:</b>	A. Linton	(Chief Executive, HQ)
	F. Morrison	(Deputy Chief Executive, HQ)
	M. Percival	(Director of Property, HQ)
	L. Davidson	(Board Services Officer, HQ)

**1. Introduction**

**1.1 Apologies for Absence**

Apologies for absence were received from P. Shepherd, R. Burnett and D. Hogg.

**1.2 Declarations of Interest**

There was one declaration of interest from A. Linton for Item 5.2.

**2. Hillcrest Homes Minutes and Matters Arising**

**2.1 Minutes of the Governing Body Meeting held on 28 March 2023 and matters arising**

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

Matters arising:

Item 4.2 – the walking tour will be arranged for July/August and further details will follow.

**Action by**

Item 4.3 – the action plan has been included in the risk management report to the Audit and General Purposes Sub Committee. The overarching action plan has been developed and will be shared with the Hillcrest Futures Board.

Item 5.1 – the content for the Entitlements, Payments and Benefits Policy was approved at the Governing Body meeting on 28<sup>th</sup> March 2023 and will be presented in the Hillcrest branded format to the Audit and General Purposes Sub Committee by email.

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## **2.2 Minutes of the Audit and General Purposes Sub Committee meeting held on 21 March 2023**

*The Governing Body noted the minutes.*

### **3. Business Matters and Approvals**

#### **3.1 Management Accounts to 31 March 2023**

The 2022-23 full year results was £575K against a £3,347K budget, this being a £2,772K adverse variance. The Governing Body also noted that the 9 months actual results and 3 months forecast results was £875K, this being a £300K adverse variance. The main variances are detailed in the report but it was highlighted that the significant increase in inflation, bank base rate and handover delays have adversely impacted the results. It was also reported that overall costs have increased and this is being monitored closely by the Senior Team on a monthly basis.

The loan covenant at 31<sup>st</sup> March 2023 is 112.3% and meets the lenders loan covenant requirement of 110.0%.

*The Governing Body:*

- *Approved the management accounts to 31<sup>st</sup> March 2023.*
- *Noted the loan covenant figure at 31<sup>st</sup> March 2023.*
- *Noted the cashflow forecast for the next 12 months.*

#### **3.2 Annual Treasury Management Report**

An update on the Treasury Management activities at the end of March 2023 was presented to the Governing Body with the following areas highlighted from the report:

- Hillcrest currently have over 4,000 unencumbered properties.
- The valuations for the properties have been received and a review was undertaken to establish whether any properties secured could be released but this was not carried out at this time. Hillcrest has instructed the solicitors to engage with the Local Authorities to remove the reference in the planning to 'affordable housing' to release extra borrowing capacity.

The Governing Body were informed at earlier meetings that there is a potential breach of the loan interest covenant in 2023-24 and had requested an update on the discussions held with lenders. Discussions have been held with all lenders and these have been positive and for 2023-24, a different calculation is likely to be used for loan covenants. This will be monitored monthly by the Senior Team.

The Governing Body also noted that the SHR will be reviewing Hillcrest's treasury management strategy policy and practices during 2023-24 as part of the engagement plan.

*The Governing Body noted the position with regards to the following:*

- *Loan Portfolio*
- *Derivative Transactions*
- *Mark to Market Exposure*
- *Covenant Compliance*
- *Security Summary*
- *Cash Deposits and Investments*
- *Valuations*
- *New Borrowings*
- *Treasury Management Policy*

### **3.3 Hillcrest Business Plan**

In previous year, an overall Hillcrest Business Plan was prepared and is largely a re-write of the individual plans, taking into account the main themes and strategic objectives for each company. A higher level, more engaging document has been produced this year, detailing the 5 key themes discussed at each of the business planning sessions. An update on the progress made against the key strategic objectives will be incorporated into the quarterly subsidiary report.

The Governing Body liked the new format, which is more focused and engaging and reflects how the organisation will work together to make a difference.

Within the stakeholder engagement section of the document, the Governing Body noted the reference to the National Care Service and suggested that this is re-written to remove the political context, with more of a focus towards improving care service across Scotland.

*The Governing Body:*

- *Noted the information presented.*
- *Agreed that the information presented is sufficient.*
- *Approved the recommendation that an update on the key strategic objectives set are included within the quarterly subsidiary report presented to the Governing Body.*

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### 3.4 Loan Portfolio

The draft loan portfolio return was presented to the Governing Body, noting that this is subject to change pending any changes to the Homes 2022-23 statutory accounts. The Director of Property highlighted that the number of units secured will be updated prior to submission as the incorrect number was included in the document presented to the Governing Body.

*The Governing Body approved the loan portfolio return.*

### 3.5 Risk Appetite

At the Group Board Member Event, a session on risk appetite was held to discuss and consider the appropriate appetite levels in conjunction with other parts of the business, rather than in isolation. The appetite levels discussed and scored on the day were as follows:

Category of risk	Financial	Reputational	Compliance	Operational	Strategic/ Major Change
Appetite level	3	4	3	4	4

The Governing Body agreed to the introduction of a new risk appetite category of Data and Information Management and set the risk appetite level as 'Cautious – 3.'

*The Governing Body:*

- *Confirmed the risk appetite levels that have been set (above) for Hillcrest Homes for the next 12 months.*
- *Agreed the introduction of a new risk appetite category of Data and Information Management and set the appetite as 'Cautious.'*
- *Requested the subsidiary companies to introduce the same risk appetite category to maintain consistency across the company risk registers in the new electronic format.*

## 4. Performance Monitoring Current Year

### 4.1 Annual Report on Objectives 2022/23

The end of year summary of performance against objectives set was presented to the Governing Body. There were 23 key strategic priorities set, with 8 out of 23 (35%) not being met. Of the 8 that were not met, one was superseded by an alternative course of action and the other 3 were as a result of SG policy. A detailed explanation for the areas of slippages were detailed in the report.

An update on cladding works was provided to the Governing Body, noting that there has been ongoing dialogue with the SG to provide formal agreement to fully fund the works required at Colonsay View. Whilst this is awaited, Hillcrest are carrying out regular health and safety inspections at the development to ensure there are no fire

hazards and a list of vulnerable residents have been identified in the event of evacuation. A reminder of the evacuation procedures will be provided to tenants, along with a reinforcement of the message to keep communal areas free from hazards.

*The Governing Body noted and approved the out-turn of performance against objectives for 2022/23.*

#### **4.2 Annual Return on the Charter**

The statistical annual return to the Scottish Housing Regulator was presented to the Governing Body with the following performance areas highlighted:

- Increase in staff turnover from 6.51% in 2020/21 to 13.89% in 2021/22 and 13.03% for 2022/23. This has been reported and discussed at the Audit and General Purposes Sub Committee on an ongoing basis.
- Tenant satisfaction remains high and on par with last year. The lowest satisfaction returns historically – Neighbourhood Management and Opportunities to Participate – but were slightly up on last year.
- SHQS – safe electrical systems now form part of the Tolerable Standards and, for good practice, landlords should organise EICRs to be carried out every 5 years. EICR checks were prioritised and completion is now at 96.13%, with the remaining 4% or so are due to access issues.

*The Governing Body approved the annual submission of the ARC.*

### **5. Briefing/Information/Governance Matters**

#### **5.1 Governance Matters**

The Governing Body noted the theme of the Group Board Members Event ‘Working Better Together.’ J. Roberts, who is also a Hillcrest Futures Board member, noted the complexity of the company in relation to the number of different contracts and arrangements within the services, and asked if a strategic overview is required to be undertaken. The Business Transformation team are carrying out a review of the reporting mechanisms with Hillcrest staff and how this can be reported to Board. Recent training has been provided to Board members to provide more understanding of the different contracts. A financial improvement plan is also being carried out with monitoring on a project by project basis and recommendations will be presented to the Futures Board.

*The Governing Body:*

- *Noted the feedback from the Group Board Members Event.*
- *Noted that the Board recruitment process is underway and to make use of networks/ social media to promote Board membership.*
- *Noted the Scottish Housing Regulator Engagement Plan.*
- *Approved the draft Board timetable.*

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

**5.2 Chief Executive Appraisal**

The review panel met with the Chief Executive to discuss the outcomes of last year's appraisal and agree new outcomes for the year ahead. The summary of findings were presented to the Governing Body, noting the positive outcome of the appraisal and commending the Chief Executive for her continuing strong leadership of the organisation.

*The Governing Body noted the report.*

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

**6. Other Issues**

**6.1 Training/Conference Opportunities**

The Governing Body noted the information for the upcoming RIHAF meeting and study tour.

*The Governing Body noted the conference details.*

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

There was no other competent business.

**7. Date of Next Meeting**

Tuesday 11<sup>th</sup> July 2023 at 5.30pm

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

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