

**Minute of the meeting held Tuesday 29<sup>th</sup> August 2023**  
**at 5.30pm, in HQ Board Room, Explorer Road/MS Teams**

<b>Present:</b>	<u>D. Boyle</u>	(Chair, HQ)
	J. Roberts	(HQ)
	C. Robertson	(Teams)
	D. Hogg	(Teams)
	A. Fyfe	(HQ)
	S. Qadar	(Teams)
	M. McMurdo	(Teams)
	E. Jones	(Teams)
	S. Elder	(HQ)

<b>In attendance:</b>	A. Linton	(Chief Executive, HQ)
	F. Morrison	(Deputy Chief Executive, HQ)
	M. Percival	(Director of Finance & Property, HQ)
	J. Quinn	(Scottish Housing Regulator, Teams)
	L. Stewart	(Scottish Housing Regulator, Teams)
	M. Smith	(Scottish Housing Regulator, Teams)
	L. Davidson	(Board Services Officer, HQ)

## **1. Introduction**

### **1.1 Apologies for Absence**

Apologies for absence were received from A. Russell, R. Burnett and P. Shepherd.

### **1.2 Declarations of Interest**

There were no declarations of interest.

## **2. Governing Body Business Following AGM**

### **2.1 Governing Body/Sub-Committee Appointments**

#### **2.1.1 Appointments of Casual Vacancies and/or Co-options**

There were no casual vacancies or co-options.

**Action by**

The Company Secretary noted that A. Saum has resigned since being elected at the AGM due to a conflict of interest. As a result, a casual vacancy has been created.

#### **2.1.2 Appointments to Audit and General Purposes Sub Committee**

Members were invited to volunteer for serving on this Sub Committee.

D. Hogg, A. Fyfe, M. McMurdo, S. Elder and D. Boyle all volunteered and were appointed to serve on the Sub Committee.

It was noted that the Chairperson is an ex-officio member of the Audit and General Purposes Sub Committee.

#### **2.1.3 Election of Convenor of Audit and General Purposes Sub Committee**

D. Boyle proposed A. Fyfe as Convenor of the Audit and General Purposes Sub Committee and this was seconded by J. Roberts.

*A. Fyfe was elected as Convenor of the Audit and General Purposes Sub Committee.*

#### **2.1.4 Appointments to Operations Sub Committee**

Members were invited to volunteer for serving on this Sub Committee.

C. Robertson, E. Jones, S. Qadar, P. Shepherd, R. Burnett and D. Boyle all volunteered and were appointed to serve on the Sub Committee.

It was noted that the Chairperson is an ex-officio member of the Operations Sub Committee.

#### **2.1.5 Election of Convenor of Operations Sub Committee**

P. Shepherd indicated that he would stand for election as Convenor of Operations Sub Committee. D. Boyle proposed P. Shepherd as Convenor of Operations Sub Committee and this was seconded by C. Robertson.

#### **2.1.6 Appointment for Reward and Recognition Panel**

A. Fyfe volunteered for the Reward and Recognition Panel.

*The Governing Body approved the representative for the Reward and Recognition Panel.*

#### **2.1.7 Appraisal Panel – Chief Executive**

The Appraisal Panel for the Chief Executive comprises of the Chair, the Convenor of the Audit and General Purposes Sub Committee and the Convenor of the Operations Sub Committee.

## **2.2 Draft Minutes of the AGM held on 10 August 2023 and matters arising**

*The Governing Body noted the draft minutes of the AGM held on 10 August 2023.*

## **2.3 Membership Update Following AGM**

A report on the membership following the AGM was presented to the Governing Body and it was noted that with the recommended withdrawal of the members noted within the report, the membership at 29<sup>th</sup> August 2023 will be 53.

*The Governing Body approved the following:*

- *Withdrawal of 2 members under Rule 11.1.3.*
- *Withdrawal of 1 member under Rule 17.1.*

## **3. Hillcrest Homes Minutes and Matters Arising**

### **3.1 Minutes of the Governing Body meeting held on 11 July 2023 and matters arising**

The Governing Body highlighted that on page 2, the final sentence in paragraph two should be amended to *‘the auditors concluded that this represents a material uncertainty as a going concern.’*

*With the above amendment, the minutes were approved as an accurate record of the meeting.*

Matters arising:

Item 3.3 Treasury Management – at the Governing Body meeting on 11<sup>th</sup> July 2023, members approved the 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. The Chief Executive has discussed the options with ATFS and contact has been made with the 3 main lenders. A proposal of 2 longer swap deals provided by one of the lenders is slightly out with the margins approved by the Governing Body. The financial advisors, ATFS have advised the Chief Executive to take further advice from the auditors to ensure there are no issues with FRS102. There are also two embedded cancellable deals with Lloyds TSB which will be reviewed by the Chief Executive. The Governing Body agreed that an update will be provided to the Audit and General Purposes Sub Committee meeting in September for consideration and then presented to the Governing Body at an additional meeting.

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### **3.2 Minutes of the Governing Body meeting held on 20 July 2023 and matters arising**

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

There were no matters arising.

### **3.3 Minutes of the Governing Body meeting held immediately after the AGM on 10 August 2023**

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

## **4. Business Matters and Approvals**

### **4.1 Management Accounts to 30 June 2023**

The Director of Finance and Property presented the results for the 3 months to 30 June 2023. There was a £2k surplus against a £68k budgeted loss, an overall £70k favourable variance. The full year forecast as at 30 June 2023 is a surplus of £313k, this being a £601k adverse variance against the 2023/24 budget, mainly as a result of the continued increase in loan interest rates.

The Chair noted the adverse variance on the property sales and asked if there are any concerns with the low uptake by tenants on the sale of the Sailmaker properties. There are no concerns with the low uptake. The forecast is lower due to financial pressures and less interest from tenants to purchase, mainly due to the increase in interest rates and difficulties securing mortgages due to higher rates.

C. Robertson noted that the revised forecast shows a slightly lower loan covenant of 102% and below the 110% target and asked if any of the lenders have confirmed an adjustment or issued waivers for the loan covenant. Discussion are ongoing with the lenders to agree the calculation to be used for the 2023/24 loan covenants. It was noted that RBS have confirmed that EBITDA calculation (earnings before interest, taxes, depreciation and amortisation) will be used and the amendments are being reviewed by the legal team.

The Chair also noted the financial risk to the organisation due to external factors such as high inflation, high bank base rates and below inflation rent increases and asked if this should be captured or referenced on the risk register. The Chief Executive noted that this is also relevant to other reports and it was agreed that this will be captured in future Board reports, with the legal and risk implications section to be split and link to the relevant risk on the risk register.

*The Governing Body:*

- *Approved the management accounts to 30 June 2023.*
- *Noted the loan covenant figure at 30 June 2023.*
- *Noted the cashflow forecast for the next 12 months.*

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## 4.2 Annual Review of Management Accounts

The Governing Body considered the content of the management accounts and accompanying reports to confirm the reporting requirements for 2023/24. The management accounts currently consist of the following:

- Income and expenditure account
- Balance sheet and notes
- Covenant review update
- Cashflow

The Governing Body considered the six monthly financial overview. J. Roberts noted the current operating environment for Hillcrest Futures and asked if this should be provided more frequently. It was noted that the quarterly subsidiary report provides an update on the financial position and it was agreed that more detailed information will be provided as part of this report.

The Governing Body were satisfied that there is sufficient information provided with regards to treasury management and that the reports provided by ATFS have been informative.

The Governing Body also noted that the overall format of the financial information provided has been improved and the PowerPoint presentations of the financial information have been useful.

*The Governing Body approved the content and format of the management accounts including the following:*

- *Variance levels to be reported on – over £100k for the year or 5% of budget.*
- *Inclusion of a cashflow on a quarterly basis.*
- *Key performance indicators presented with a finance metrics paper.*
- *Frequency of reporting for consolidated accounts on a 6 monthly basis.*
- *Information received on Treasury Management arrangements.*

## 4.3 Treasury Management

The Chief Executive provided an update on the Treasury Management activities at the end of June 2023.

*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*

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- *Treasury Management Policy*
- *Covenant discussions with lenders*

#### 4.4 **2023/24 30 Year Budget Revised**

The Director of Finance and Property highlighted that a budget file link error has been identified, resulting in the error incorrectly overstating loan interest costs from Year 4 to Year 30 in the 2023-24 30 year budget. The Governing Body noted that additional controls have now been included to reduce the risk of future file link errors. The use of specialist budgeting software to improve the budgeting process is also under review and the outcome will be presented to the Governing Body.

*The Governing Body approved the following:*

- *A revised 2023-24 30 year budget.*
- *Investigate the use of specialist budgeting software.*

### 5. **Performance Monitoring**

#### 5.1 **Business Plan Objectives Update**

The Chief Executive provided an update on the progress of the business plan objectives with the following highlighted:

- Environmental strategy and journey to Net Zero – ESG framework and annual report will be presented to the Governing Body for approval in October.
- Cladding works – discussions are still in progress with SG with regards to outstanding works at Colonsay View. The Governing Body previously agreed health and safety measures and these are ongoing.
- Regulatory Framework – a submission on the consultation was submitted in July.
- EESSH2 – this is currently under review with SG.

J. Roberts asked about the rent harmonisation for supported and temporary accommodation. A review of the current charging structure and proposals will be presented to the Operations Sub Committee for discussion followed by a final report to the Governing Body.

*The Governing Body noted the update on the business plan objectives to June 2023.*

#### 5.2 **Development Projects Update**

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

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

#### 6.1 **Governance Matters**

The Governing Body members and subsidiary Chair's appraisals are now all completed and the common themes were noted in the report.

The Annual General Meeting was held on 10<sup>th</sup> August 2023 and it was noted that one of the new elected members, A. Saum has stood down from the Governing Body due to a conflict of interest. It was also noted that T. Kirby has tendered his resignation.

Hillcrest has been shortlisted for a Dundee and Angus Chamber of Commerce Business Champion award in the growth category. Hillcrest have also been shortlisted for the Courier Business Award (Community category) with the awards event taking place on 28<sup>th</sup> October 2023.

The Chair noted that as part of the new Board member induction to the organisation, we will be looking for volunteers from existing Governing Body members to become a buddy/mentor. The Deputy Chief Executive will share further information by email.

*The Governing Body noted the following:*

- *The position with Board member appraisals.*
- *The feedback from the AGM.*
- *Shortlisted awards.*
- *New Board member buddy/mentors.*

**J. Quinn, L. Stewart, M. Smith and M. Percival left the meeting.**

## **6.2 Staffing Update**

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

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## **7. Strategic Issues**

### **7.1 Homelessness/Temporary Accommodation**

The Deputy Chief Executive presented the report to inform the Governing Body of the Scottish Government's plans to reduce the numbers of people living in temporary accommodation. The Deputy Chief Executive has participated in a short life working group facilitated by the SFHA to explore how the sector can best respond to the Scottish Government's plans and a draft response was included as part of the report for information.

*The Governing Body noted the report.*

## **8. Other Issues**

### **8.1 Training/Conference Opportunities**

None for this period.

8.2 **A.O.C.B.**

There was no other competent business.

9. ***Date of Next Meeting***

Tuesday 24<sup>th</sup> October 2023

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

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