

**Hillcrest Homes (Scotland) Limited
Audit & General Purposes Sub-Committee**

Item 3

**Minute of the meeting held on Tuesday 27th May 2025
at 5.30 p.m. in HQ / MS Teams**

Present:	A. Fyfe	(Convenor, HQ)
	D. Boyle	(HQ)
	S. Elder	(HQ)
	D. Hogg	(Teams)
	B. Matheson	(Teams)

In attendance:	L. Don	(Director of Corporate Services, HQ)
	B. Harris	(Head of Innovation & Improvement, HQ)
	D. Archibald	(Henderson Loggie, HQ)
	L. Davidson	(Board Services Officer, HQ)

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the meeting held on 25 March 2025 and matters arising

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

Matters arising:

Item 9 Board member training – the intention is to introduce Hillcrest email address for Board members to allow access to the learning management system. A training plan will then be created for Board members.

Item 9 Employee Engagement Survey – the results will be shared at the next meeting.

Action by

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4. Internal Audit

4.1 Internal Audit Report

The internal auditor presented the report on the review of the project management controls in place for the implementation of the integrated HR/Payroll system. The overall performance in this area of activity was 'satisfactory,' with the current system meeting control objectives with some weaknesses present.

There were a number of areas of good practice identified as part of the audit, including a lessons learned review. The main recommendation was in relation to the lack of project management experience in the organisation to deliver future projects of this scale and complexity. It was recommended that a standard organisational approach to project management should be adopted, including a project governance workbook containing project documentation.

D. Boyle asked how the projects link into the organisational objectives. A new software system to capture all organisational objectives will be implemented. This will include a performance management system which will identify business critical projects and track progress.

S. Elder asked if there are project management accredited members of staff within Hillcrest. It was noted that outwith the staff within the Business Transformation team, there is limited knowledge and experience of project management within Hillcrest. A Business Change Partner has been appointed whose remit will include supporting the organisation in the design and delivery of projects, but it was recognised that project management training could be rolled out across the organisation.

The Sub Committee approved the internal audit management responses and timescales.

L. Don and B. Harris left the meeting.

4.2 Internal Audit Annual Report 2024/25

The internal auditor presented the annual report, confirming that they have provided an independent internal audit service. The internal auditors have carried out their work in line with the requirements of the Global Internal Audit Standard which has been effective from 9 January 2025. The new standard covers 2 new areas – identification of trends over a period of time and risks outwith risk appetite.

A summary of the internal audit work performed during 2024/25, including the results and conclusions for each area of the audits was also presented in the report. All audits conducted in 2024/25 were either 'Good' or 'Satisfactory' and there were no issues identifying any major internal control weaknesses.

The follow up reviews highlighted that of the 33 recommendations, 22 have been carried forward (of which 21 are Priority 3 recommendations and 1 Priority 2). It was noted that there are a number of these recommendations partially implemented.

The Sub Committee noted the good progress made on the recommendations and thanked staff for their continued efforts.

The Sub Committee approved the annual report for 2024/25.

L. Don and B. Harris joined the meeting.

5. Risk Management

5.1 Report and Register

There are 15 risks on the risk register, 3 of these are red risks with an adverse variance to the risk appetite level set:

- HH38 Financial risk due to delays in contract handover of new developments.
- HH49 Financial impact due to increase in interest rates.
- HH58 Loss of knowledge and experience due to retiral of Chief Executive.

The other risks that were highlighted were:

- HH36 Cladding – SFHA are working with the Scottish Government on behalf of RSLs to push for clarity on the funding position.
- HH46 Pension deficit contribution payment – a notification has been received that there is a funding shortfall deficit of £79.5m. Early indications that this could be in the region of £2.5m for Homes and £0.5m for Futures over a 4 year period.

D. Boyle and A. Fyfe noted the tight financial margins for Homes and Futures and that the pension deficit payment will have a further impact. B. Matheson asked if there is a provision within the budget for the pension deficit payment. This is not included in the 2025/26 budget as the repayment will take effect from 2026/27 over 4 years. D. Boyle requested that this is included within the budget scenarios in the budgeting software system.

A. Fyfe noted that in HH54 risk of loss of key contractors, we continue to ensure that contractors are able to manage more than one contract. It was suggested that further understanding of the number of other clients that the contractor is working with should also be taken into consideration.

The Sub Committee approved the risk scores attached to each risk and the amendments made to the risk register.

6. Activity Plan Report

6.1 Activity Plan Report for Q4 2024/25

There are 5 objectives in Q4, with 3 completed in full. The benefits review has been carried over to the end of Q1 2025/26. The Net Zero Strategy target date has been moved to Q2 2025/26 and will be presented to the Governing Body in July.

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The Sub Committee noted the good progress made on the objectives set.

The Sub Committee noted the progress made against the Activity Plan for Q4 2024/25.

7. Gender Pay Gap Report

The Director of Corporate Services presented the Gender Pay Gap report for Homes and Futures.

For Homes, the gender pay gap remains in favour of males. The lower two quartiles are significantly populated by females at 63% of employees, with the majority in clerical and admin roles, and more males in senior management roles.

For Futures, the gender pay gap remains in favour of males compared to females. The staffing ratio is over 4:1 in favour of females, but the analysis found that a higher proportion of male employees work full time.

Further work will be carried out on data collection and analysis to provide more meaningful data to ensure that efforts are focussed on the most important areas. D. Hogg suggested that a comparison could also be made with other RSLs.

The Sub Committee approved the Gender Pay Gap report.

8. Annual Reports

8.1 Annual Gifts and Hospitality Report

The value of gifts and hospitality received in 2024/25 showed a slight increase compared to the previous year. There were no concerns raised over the gifts and hospitality accepted. The Sub Committee noted that the majority of hospitality offered continues to be to the Development Team however, the amounts remain at a low level.

The Sub Committee:

- *Reviewed and approved the Gifts and Hospitality Register.*
- *The Chair of the Sub Committee signed the register as a true and accurate record for audit purposes.*

8.2 Annual Compliance Report

The report on the summary of compliance matters was presented to the Sub Committee on information governance, policy and procedure, whistleblowing, and fraud and bribery.

A. Fyfe noted that a KPI was introduced in 2024/25 for policies and procedures and that 66% have been reviewed, with the 80% target not being met. This is primarily

due to change in process which has resulted in a number of procedures requiring updates. Work is continuing with departments to meet the 80% target by the end of 2025/26.

The Sub Committee noted the report.

8.3 Annual Procurement Report

The annual procurement report detailed the performance and achievements in delivering on the Procurement Strategy. The report will be published in order to comply with the Procurement Reform (Scotland) Act 2014.

The Sub Committee approved the report.

8.4 Annual BCMS Report

There has been good progress made over the last 12 months, with business continuity management remaining a high focus for Hillcrest. There have been a number of improvements made to the internal processes, plans and information and this is continuing on an ongoing basis.

The only outstanding actions in the improvement plan relate to the development of a BCMS training module for staff and the implementation of media training and this will be completed in Q2 2025/26.

The Sub Committee noted the report.

8.5 Annual Compensation Report

A summary of the compensation payments made by Hillcrest in 2024/25 was presented to the Sub Committee for information. The majority were made in relation to disturbance and discretionary payments for a variety of reasons, including damage, delays for repairs and inconvenience. There was a significant reduction in compensation payments made in 2024/25 compared with 2023/24.

The Sub Committee noted the report.

8.6 Annual Social Value Report

A summary report on the social value activities within Hillcrest was presented to the Sub Committee for information. The responsibility for social value has been transferred from the Business Transformation Team to the Business Services Team. Training has been provided to over 30 members of staff from different teams to provide them with the relevant skills and knowledge to undertake their own measurement exercises. This new structure has increased the capacity to carry out exercises to measure social value and the aim is to carry out a greater number of these exercises in 2025/26.

The Sub Committee noted the report.

9. Strategy and Policy Review

The Director of Corporate Services presented the following policy and strategy documents:

Disclosure Scotland Policy

This policy has been updated to reflect the changes effective from 1 April 2025. The key change relates to Trustees and Board members of organisations that support children, or protected adults will require PVG scheme memberships. All Futures Board members have joined the PVG scheme.

Domestic Abuse Policy

This policy has been reviewed and updated inline with the policy review schedule and the key changes to note were detailed in the report.

Neonatal Care, Leave and Pay Policy

This new policy has been developed following the introduction of new legislation effective from 6 April 2025.

Hybrid Working Policy

This policy has been reviewed in line with the policy review schedule and following the working practices review. The changes to the policy were detailed in the report. A. Fyfe noted the caveat relating to hybrid working outwith the UK is subject to approval and highlighted the importance of considerations given to data protection and IT security.

Acceptable Use of Generative AI Tools Policy

This is a new policy outlining the commitment to data security, transparency, accountability and the ethical use of AI. The policy will apply to all staff who have access to or use AI tools within the course of their work. Training will be provided to ensure staff are clear on their responsibilities.

S. Elder noted that staff are required to notify their line manager when using AI tools and suggested that this should be changed to the Data Protection Officer. It was also suggested that a list of acceptable AI tools should be detailed within the policy.

A. Fyfe noted that as the AI landscape is moving at pace, it was recommended that the policy should be reviewed more frequently than the current policy review cycle of 3 years. The Head of Innovation and Improvements confirmed that a review of this policy is scheduled for every 3 months.

Communications Strategy

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The new strategy sets out the approach to internal and external communications and has been developed to support the corporate strategy and organisational priorities.

The Sub Committee approved the following documents:

- *Disclosure Scotland Policy*
- *Domestic Abuse Policy*
- *Neonatal Care, Leave and Pay Policy*
- *Hybrid Working Policy*
- *Acceptable Use of Generative AI Tools Policy*
- *Communications Strategy*

10. Communications and Fundraising Report

An update on the work being carried out by the Communications and Fundraising Team was presented to the Sub Committee for information. The following was highlighted from the report:

- Hillcrest won the Scottish Home Awards for the Derby Street development at the awards ceremony held last week in the large affordable development category.
- Dundee Hub were successful in securing funding from the National Lottery Young Staff Fund which will allow this service to continue for a further 3 years.
- The analytics for the Scottish Apprenticeship Week campaign show a low engagement. A broader campaign will be developed for 2026 with the Young Workforce Development Partner.

The Sub Committee noted the report.

11. Quarterly Procurement Report

The report on the procurement activity over the last quarter and the activities that will be completed in the current quarter was presented to the Sub Committee for information.

The Sub Committee noted the report.

12. Business Transformation and IT Update Report

The Head of Innovation and Improvements presented the bi-annual update on the key areas of work of the Business Transformation and IT teams, with the following areas highlighted:

- The Business Transformation team has started to develop a business change portfolio to provide greater clarity and structure to change activity.
- A custom app for the Beacon Project was developed by the IT team to manage information such as referrals, case notes and outcomes.

- The IT team supported the procurement of a stock management system for Hillcrest Maintenance to support more efficient processes and improve stock control.
- The restructure of the IT team and development of a new digital strategy is being progressed with the support of external consultants.

The Sub Committee noted the report.

13. A.O.C.B.

There was no other competent business.

14. Date of Next Meeting

Tuesday 16th September 2025

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

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