

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

Item 2.3

**Minute of the meeting held on Tuesday 2nd December 2025
at 5.30 p.m. in HQ / MS Teams**

Present:

A. Fyfe	(Convenor, HQ)
S. Elder	(HQ)
D. Boyle	(HQ)
B. Matheson	(Teams)
A. Gauld	(Teams)

In attendance:

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

1. Apologies for Absence

Apologies for absence were received from D. Hogg.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the meeting held on 8 October 2025 and matters arising

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

Matters arising:

Item 6 Insurance Renewal – The Director of Corporate Services provided an update on the cyber incident response retainer. Whilst there is no retainer in place, the policy provides a 24/7 approved incident response team, including hotline and dedicated claims manager. The Sub Committee were assured that there is sufficient cover in place for cyber security incidents.

Action by

Item 11 Day to Day Repairs – the value on the procurement report was highlighted at the meeting and the Director of Corporate Services provided an update to members via email highlighting the error in the report.

4. Internal Audit Report

The Internal Auditor presented the following reports:

Fraud Prevention, Detection and Response

The scope of the audit was to carry out a review of the corporate wide anti-fraud framework in place within Hillcrest. The overall performance in this area of activity was '*satisfactory*.' There were a number of strengths identified including the fraud register which was identified as an example of good practice, which is not often seen in RSLs. It was also identified that anti-fraud policies and procedures are embedded throughout the organisation.

The recommendations were in relation to the updating of policies, in particular the Anti-Fraud, Bribery and Corruption Policy which should be reviewed more often than the five year cycle to reflect evolving fraud and corruption risks. The fraud register should also define inherent and residual risk, in line with the current risk management arrangements.

S. Elder noted that the risk of fraud extends across all areas of the business and asked if this should be considered by the subsidiary Boards. The subsidiaries have their own risk register, and any major risks are brought to the attention of the Governing Body. The fraud risk register covers the whole organisation and is reviewed regularly.

D. Boyle asked how Hillcrest keeps staff informed of the changing environment and where fraud could occur. Finance and Development teams are kept informed by the industry of any potential fraud risks and examples where this could occur. Regular phishing tests are carried out by IT to make staff aware of any potential fraud and cyber security risks.

Environmental Sustainability

The scope of the audit was to carry out a review of the systems in place for environmental sustainability. The overall performance in this area of activity was '*satisfactory*.' There is a clear commitment to achieve net zero by 2045, supported by the Net Zero and Climate Change Strategy and action plan. It was acknowledged as part of the audit that there are number of actions already in progress.

The recommendations highlighted include the absence of scope 3 emission calculations and the enhancement of reporting in this area. The clarity of roles and responsibilities for taking forward sustainability initiatives and sustainability considerations to be embedded within the procurement process was also highlighted.

The Sub Committee noted the overall positive report and thanked staff for their continued work in this area.

6 Month Review

The Director of Corporate Services presented the update on the progress made against previous audit recommendations. There are five outstanding recommendations that remain live for more than 12 months which have revised completion dates. Two are related to the work associated with the Digital Strategy and the remainder will be reported on a part of the formal review in March 2026.

The Sub Committee:

- *Approved the internal audit management responses and timescales.*
- *Noted the 6 month review progress update.*

5. Risk Management

There are currently 13 risks on the risk register. Two of these are red risks with an adverse variance to the appetite level set:

- HH38 – Financial risk due to delays in contract handover of new developments.
- HH49 – Financial impact due to increase in interest rates.

A new risk to replace HH49 was proposed, as the financial challenges impacting on the level of headroom for the covenants are not solely related to the levels of interest rate – *‘Impact of increasing financial pressure on costs and rent levels, reducing financial headroom for loan covenants.’*

The Sub Committee:

- *Approved the risk scores attached to each risk.*
- *Approved the amendments made to the risk register.*
- *Approved the proposed new financial risk.*

6. Policy Review Report

The Money Laundering Policy was presented to the Sub Committee for approval. The policy has not been reviewed since 2016 and has been broadened to reflect changes to legislation. The Head of Finance has been noted as the Money Laundering Officer for Hillcrest, this was previously the Risk and Compliance Manager, a post which has not been in place for several years.

A small amendment was made to the Entitlement, Payment and Benefits Policy as a result of a recommendation from a recent internal investigation.

The Sub Committee:

- *Approved the Money Laundering Policy.*

- *Noted that a minor amendment has been made to the Benefits, Payments and Entitlements Policy.*

7. Communications and Fundraising Report

The Director of Corporate Services presented the key highlights from the report. The Catwalk for a Cause event raised almost £19k to support vital services across the organisation. The most recent round of Foundation applications awarded £105,665 to 26 impactful services that support people and communities experiencing significant hardship. The Sub Committee congratulated the team on the recent Scottish Parliament recognition for this work.

The Sub Committee noted the report.

8. Business Transformation and IT Update

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

IT:

- IT team review and restructure has been carried out with support from consultants.
- The team have supported the delivery of projects to support other areas of the business.
- A draft Digital, Data and Technology Strategy has been developed.

B. Matheson noted that the strategy will enter wider internal consultation and asked if the Governing Body will be included in this process. This will be incorporated into the business planning process.

Business Transformation:

- A process for change governance has been developed and will complement the business planning process for emerging business needs to be prioritised and planned.
- New performance management system has been procured.
- A data programme has been initiated, and Hillcrest are participating in the Scottish Government's Data Maturity Programme.

The Sub Committee noted the report.

9. Pension Contribution Levels

The Director of Corporate Services presented the report with the options available to make changes to Hillcrest Homes pension schemes. There were 3 options presented:

- Option 1 – no change.

- Option 2 – increase employer contribution rates, no change to employee contribution rates.
- Option 3 – increase employer contribution rates and decrease employee contribution rates.

A. Fyfe noted the salary sacrifice option in options 2 and 3 and highlighted the implications following the UK budget announcement last week.

A. Guald asked if there is any data to suggest that pension contributions will support recruitment and retention. Exit interviews are conducted with staff who leave the organisation and staff benefits has been a contributing factor. A full benefit review has been carried out and whilst Hillcrest remains competitive with most of the benefits offered, pension contribution was highlighted as below peer organisations.

D. Boyle noted that whilst it is difficult to quantify the potential NI savings through salary sacrifice, it was requested that assumptions are included in the recommendation to the Governing Body where possible.

The Sub Committee:

- *Approved option 3 and increase employer contribution rates and decrease employee contribution rates, subject to budget affordability.*
- *Noted that the Governing Body will review and approve the 2026-27 budget at the 20 January 2026 meeting.*

10. Procurement Update

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

The Sub Committee noted the report.

11. A.O.C.B.

There was no other competent business.

12. Date of Next Meeting

Tuesday 24th February 2026

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

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