Hillcrest Homes (Scotland) Limited
Governing Body Meeting

Item 2.1

Minutes of the Governing Body meeting held on Tuesday 10th March 2026 at 5.30p.m. in HQ Board Room/Teams

Present:	D. Boyle	(Chair, HQ)
	P. Shepherd	(HQ)
	A. Fyfe	(HQ)
	R. Burnett	(Teams)
	B. Matheson	(HQ)
	A. Gauld	(Teams)
	M. McMurdo	(HQ)
	S. Elder	(HQ)
	S. Qadar	(Teams)
In attendance:	J. Alexander	(Chief Executive, HQ)
	F. Morrison	(Deputy Chief Executive, HQ)
	M. Percival	(Director of Finance & Property, HQ)
	S. Beattie	(Chiene & Tait, Teams)
	L. Davidson	(Board Services Officer, HQ)

Action by

1. ***Introduction***

1.1 **Apologies for Absence**

Apologies for absence were received from C. Robertson, D. Hogg and E. Jones.

1.2 **Declarations of Interest**

There were no declarations of interest.

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

2.1 **Note of the Business Planning meeting held on 20 January 2026**

The Governing Body noted the minutes.

2.2 Minutes of the Governing Body meeting held on 20 January 2026 and matters arising

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

There were no matters arising.

2.3 Minutes of the Operations Sub Committee meeting held on 17 February 2026

The Governing Body noted the minutes.

2.4 Minutes of the Audit & General Purposes Sub Committee meeting held on 24 February 2026

The Governing Body noted the minutes.

3. *Business Matters and Approvals*

3.1 Management Accounts to 31 December 2025

The Director of Finance and Property presented the results for the 9 months to 31 December 2025, reporting a £1,154k surplus against a forecast £643k surplus, an overall favourable variance of £511k. The key variances were noted in the report.

The 9+3 forecast is a £915k surplus in comparison to the budgeted surplus of £1,215k, an adverse variance of £300k. There is no breach to the loan covenant in the forecast to 31 March 2026, this assumes the net debt per unit covenant has been amended by this date (further detail in Item 3.5).

The Chief Executive also highlighted that monthly finance reports are received to actively monitor fluctuations. The Executive Leadership and Senior Team have met to discuss the impact of the Middle East conflict and the ramifications this will have on costs and the overall budget.

D. Boyle noted adverse variance in relation to rents and service charges as a result of handover delays and asked if delays are sufficiently included within the budget. The Director of Finance and Property confirmed that a 3-month delay is included in the budget however, these are caused by external factors which are difficult to predict. The Chief Executive explained that delays vary by site, and this is reviewed continually to ensure that the timescale applied is appropriate.

The Governing Body:

- *Approved the management accounts to 31 December 2025.*
- *Noted the forecast loan covenant position to 31 March 2026.*
- *Noted the cashflow forecast for the next 12 months.*
- *Noted the 2025-26 9+3 forecast.*
- *Noted that an impairment review has been completed, and no indications of impairment were noted.*

3.2 **30 Year Budgets**

The Director of Finance and Property presented the 2026-27 30 year budget. Sensitivity analysis and stress testing of the 30 year budget has been carried out and detailed in the report, with the scenarios tested consistent with those tested last year.

A. Fyfe noted that if interest rates and costs were to increase significantly and could not be offset by interest rate swaps, rent increases and reduction in development, it would be beneficial for the Governing Body to have a tangible list of actions that could be taken. The Chief Executive explained that this is included as part of the budget setting process and a range of approaches are taken based on the level of variance and where expenditure can be reduced. It was agreed that a suite of actions that could be taken in this scenario will be presented to members for further assurance. JA/MP

The Governing Body approved the following:

- *30 Year revenue budget*
- *30 Year capital budget*
- *30 Year balance sheet*
- *30 Year cash and loan balance*
- *30 Year budget assumptions*
- *Sensitivity analysis*

The Governing Body also noted the inter-company charges from Homes to subsidiaries which requires approval by the respective Boards.

3.3 **Auditors Correspondence**

S. Beattie presented the audit planning document to inform the Governing Body of the approach and scope of the audit for the year ended 31 March 2026.

B. Matheson noted the increase in the quote for the annual audit compared to the previous year. This is an incremental price increase in line with the tender. S. Beattie also noted that following on from the audit work undertaken last year, there is more knowledge of the organisation and therefore Chiene and Tait will also be able to provide further recommendations on processes and procedures.

The Governing Body approved the audit planning document.

S. Beattie left the meeting.

3.4 **Bad Debt Write Off**

The Deputy Chief Executive presented the report to inform the Governing Body of the level of former tenant arrears, former tenant credits, sales ledger debts and former communal heating debts, for approval to write off balances which are either uncollectable or untraceable. The Governing Body noted that the write off of bad debts have been fully accounted for within the bad debt provisions.

The Governing Body approved the following:

- *Write off former tenant rent arrears of £315,297.*
- *Write back former tenant credits of £26,144.*
- *Write off Northern Housing Company Ltd former tenant arrears suspense of £103.*
- *Write off sales ledger debts of £38,837.*
- *Write off in respect of sequestrated accounts of £2,420.*
- *Write off former tenant communal heating debts of £1,600.*

3.5 **Treasury Management Report**

The Director of Finance and Property presented the update report on the Treasury Management activities of Homes at 31 December 2025.

An update was provided in relation to the negotiations with lenders on the amendment of the net debt per unit covenant which are progressing positively. All parties remain aligned on completing the legal documentation ahead of the 31 March 2026 deadline.

Discussions are also progressing with lenders to change the current loan interest cover covenant from EBITDA-MRI 110% to EBITDA-MRI 125%. This will reduce financial risk.

Valuations have also been carried out on the security that lenders hold and it was noted that no feedback has been received from any lender following the issue of the valuation reports.

A special meeting of the Governing Body has been arranged for 16 March 2026 to discuss the new funding requirements.

The Governing Body noted the following:

- *Current position of the loan portfolio*
- *Latest security valuation*
- *Loan covenant discussions with lenders*
- *Hedging review in progress*

3.6 **Hillcrest Business Plan 2026-29**

The Chief Executive presented the 3 year business plan to the Governing Body for approval. The plan has been produced, taking into account the discussions at each of the business planning sessions held with Boards and staff members.

The Governing Body provided the following feedback and amendments to the document: JA

- Page 8 – 'Hillcrest Homes a Community Benefit organisation' change to 'society.'
- Include Community Wealth Building Bill under legislative changes.
- Update terminology relating to 'failure demand' and provide more clarity and context where this is referenced.

D. Boyle asked if a summary document with the key highlights from the business plan will be created. This was produced in previous years and similar document will be created this year. JA

The Governing Body commented that the business plan was comprehensive and the approach taken this year for the business planning was positively received.

With the above amendments, the Governing Body approved the business plan.

3.7 **Confidential Item**

This item has been removed due to commercially sensitive information.

4. ***Briefing/Information/Governance Matters***

4.1 **Governance Matters**

The Deputy Chief Executive highlighted that with the forthcoming merger of Enterprises and Maintenance, Hillcrest Maintenance Directors have sought election onto the Board of Hillcrest Enterprises. The Governing Body were recommended to approve election of the Directors noted in the report onto the Board of Hillcrest Enterprises.

The Governing Body:

- *Noted the information in the report.*
- *Approved the election of members to the Board of Hillcrest Enterprises.*

4.2 **Subsidiary Report**

The report on the key matters within the subsidiary companies was presented to the Governing Body for information.

The Governing Body noted the subsidiary reports.

5. ***Other Issues***

5.1 **Training/Conference Opportunities**

None for this period.

5.2 **A.O.C.B.**

There was no other competent business.

6. **Date of Next Meeting**

Monday 16th March – Special Meeting
Tuesday 19th May – Governing Body Meeting

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

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