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

Item 2.4

Minute of the meeting held on Tuesday 24th February 2026 at 5.30 p.m. in HQ / MS Teams

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

In attendance:	L. Don	(Director of Corporate Services, HQ)
	N. Tragham	(Head of HR & OD, HQ)
	D. Archibald	(Henderson Loggie, HQ)
	L. Davidson	(Board Services Officer, HQ)

	Action by
1. **Apologies for Absence**	
Apologies for absence were received from S. Elder, D. Boyle and A. Gauld.	
2. **Declarations of Interest**	
There were no declarations of interest.	
3. **Minutes of the meeting held on 2 December 2025 and matters arising**	
The minutes were approved as an accurate record of the meeting.	
There were no matters arising.	
4. **Internal Audit Report**	
Network Arrangements/Cyber Security	
The Sub Committee noted that the audit has taken place, but the report is in draft with management responses requiring further consideration before finalising. The Sub Committee requested that the progress made since the last audit is included in the finalised report, which will be presented at the next meeting in May 2026.	LD/DA

D. Hogg joined the meeting.

Follow Up Reviews

The Internal Auditor presented the progress update against the 41 audit recommendations as part of the annual follow up review. Of the 41 recommendations, 14 have been fully implemented, 7 partially implemented and 4 have little or no progress. There are 16 recommendations which are not yet passed their agreed completion date.

The Sub Committee highlighted the delays to recommendations linked to digital improvements. These are due to staff turnover and IT/Business Transformation dependencies relating to the Enterprises and Maintenance merger work.

The Sub Committee:

- *Noted the delay to the Network Arrangements/Cyber Security audit which will be presented at the next meeting for approval.*
- *Approved the follow up reviews report.*
- *Noted the internal audit plan for 2026/27.*

5. **Risk Management**

The Director of Corporate Services presented the report. There are currently 14 risks on the 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. This has been reported to the Sub Committee at previous meetings.
- HH62 Impact of increasing financial pressures on costs and rent levels, reducing financial headroom for loan covenants. This is a new risk following discussion at the Sub Committee meeting on 2 December 2025 to better reflect the overall financial pressures impacting the level of headroom for the covenants.

B. Matheson asked about HH55 – inability of Hillcrest Futures to deliver services within budget – and the impact of the announcement by the IJB in relation to the reduction in spending in the next financial year. B. Matheson highlighted that this is an ongoing risk that funding is not guaranteed and requested that this risk is reviewed and updated to reflect this. LD

B. Matheson also suggested that as part of the scoring of the likelihood and impact, the inclusion of how these are assessed would be helpful in future reporting. LD

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

6. **Strategy and Policy Review**

The Head of HR and OD presented the following policy documents that have been revised:

- Alcohol and Substance Misuse Policy – the policy has been updated to include the use of prescribed medicinal cannabis following a recent case.
- Secondment Policy – changes to some principles detailed in the report.
- Disciplinary Policy – no changes to the principles, format and language updated.
- Work Experience Policy – no changes to the principles, format and language updated.
- Personnel Files Policy – no changes to the principles. Updated to include change in how employees can access information through ESS.
- Fleet Management Policy – no substantive changes, minor terminology improvements.

The Sub Committee approved the amendments to the policy documents.

7. **HR Report and Bulletin**

The Head of HR and OD presented the report, highlighted the areas of work that have been developed or continued to improve over the previous 6 months:

- Leadership programme – good feedback has been received from leaders who have completed the programme.
- Investors in People – as part of the re-accreditation process, the IIP survey was shared with staff, with 59% completion rate.
- HE/HM merger – staff consultation process is progressing without any significant concerns raised by staff. Internal management systems are also being prepared for the change.
- Mentoring programme – the new programme has been launched, and mentors and mentees will be matched.
- There are a number of legislative changes coming into force in 2026/27 which were detailed in the report.

An overview of the statistical information was also presented to the Sub Committee including staff turnover, absence, and learning and development.

The Sub Committee noted the report.

8. **Additional Holiday Pay**

The Head of HR and OD presented the report to advise of a change to the way additional holiday pay is calculated. Effective from 1 January 2024, there were changes to holiday pay legislation which sets out the method of accruing annual leave and calculating holiday pay for irregular hours workers, part-year workers and those employees regularly receiving additional pay. Whilst this legislation was effective from 1 January 2024, this change applies to holiday pay years commencing on or after 1 April 2024. At Hillcrest, this was effective from 1 January 2025.

The regulations do not provide guidance on what constitutes as regular overtime payments. Historically, and following legal advice, Hillcrest defined this as being 75% of the time and this was considered compliant, and this method has been applied since 2020. Recent legal advice has changed and determined that the 75% criteria is no longer lawful and should be reduced to 25% or 1 in every 4 weeks. Legal advice also confirmed that this has been the case since approximately 2023 and that eligible employees should be reimbursed for the shortfall in payment.

It was recommended that the changes are implemented retrospectively and to pay back-pay to affected employees. This will help reduce the risk of employment tribunal claims. The Sub Committee were supportive of the recommendation.

The Sub Committee:

- *Noted the required changes.*
- *Approved the recommendation to pay back-pay to affected employees.*
- *Apply the change to current employees only, excluding leavers.*

9. **Health and Safety Update**

The Director of Corporate Services presented the 6-monthly update report.

The health and safety audits are continuing, with no significant concerns highlighted. Progress on the recommendations identified as part of the audits will be included in future reporting.

The statistical information included on mandatory training was highlighted, with some challenges noted in Futures. Alternative methods of delivering training will be adopted to improve completion rates.

The Sub Committee noted the report.

10. **Procurement Activity Report**

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**

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

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