

## HOME IN SCOTLAND

Draft Minutes of Board Meeting held on 3 October 2023  
in Home Group Office 6, Pure Offices, 4-5 Lochside Way,  
Edinburgh Park, Edinburgh, EH12 9DT

### PRESENT

Susan Deacon	Chair
Catherine Wood	Board Member
Gavin MacKenzie	Board Member
Gillian Campbell	Board Member
June Wylie	Board Member
Kellie Macleod	Board Member
Mark Henderson	Board Member/Chief Executive
Helen Meehan	Board Member/Chief Finance Officer

### IN ATTENDANCE

Will Gardner	Executive Director of Asset and Development
Audrey Simpson	Director of Scotland
Charlotte Burnham	Company Secretary

### 2589 **CHAIR'S OPENING REMARKS AND APOLOGIES**

The Chair welcomed everyone to the meeting and thanked those involved in the organisation of the site visits held earlier that morning together with the **Home Group's** Structures and Governance Board training session held the evening before.

It was NOTED that apologies were received from Grant Campbell and Robyn Inglis.

### 2590 DECLARATIONS OF INTEREST

The Board reviewed and NOTED the Declarations of Interest.

### 2591 ACTION POINTS

The Board NOTED the Action Points and AGREED that the on-going work around the customer board recruitment exercise should be captured as a specific action arising from the discussion at the last meeting.

2592 MINUTES OF HOME IN SCOTLAND BOARD MEETING HELD ON 22 AUGUST 2023

The Board APPROVED the minutes as a true record of the meeting, following the revision to Minute 2577 to reflect the action captured within the earlier Action Points item.

2593 MINUTES OF HOME IN SCOTLAND BOARD FIRST MEETING HELD ON 22 AUGUST 2023

The Board APPROVED the minutes as a true record of the first meeting.

2594 KEY DISCUSSION – PROVIDING THE RIGHT HOMES IN THE RIGHT PLACES

Will delivered a detailed presentation to the Board with specific focus on:

- (a) Right Homes Right Places Strategy – Discussion ensued on the importance of **Scotland's** agreed strategy to increase affordable housing and engage with stakeholders to explore introducing a cross subsidy model in Scotland.
- (b) Development Team – An overview of current development team members and their key areas of responsibilities was provided.
- (c) Five Year Business Plan – The performance against the Business Plan for 2023-24 to 2027-28 illustrated the handover target of 847 homes is projected to exceed with 861 homes reported, together with a positive income contribution of £64m against the business plan target of £62m. The rental income forecasted an overall reduced rental income of £23m against the target of £24m due to delays to the Meat Market development.
- (d) Five Year Programme Detail (including current development pipeline) – Discussion ensued on the good range of schemes for Scotland and the fact that there is a lot more certainty for development schemes in Scotland enabling the Business Plan to be more defined.

Will shared the positive cumulative development profile for 2023-24 with the target exceeded by 96 units in **comparison to last year's programme.**

- (e) Key Development Risks – The Board focused attention on the increased risk of rising building costs resulting in a longer period of payback for schemes; ongoing difficulties with the availability of contractors and consultants; the capacity and performance of local authorities in relation to land, planning and remediation sign-off; the cyclical trends of the wider housing market which could impact the S75 grant for affordable housing schemes and new and increasing legislation costs such as sprinklers, no gas, ventilation and fire.

The Board acknowledged the increasing pressures in our ability to develop, with higher interest rates placing pressure on borrowing; limited opportunities for new development schemes and that working in a partnership type model going forward will create new opportunities.

- (f) Potential To Do More – Members debated size, shape and understanding of Scotland along with the scale of our ambitions.

Helen shared that the key constraint to delivering more homes is investment capacity, in particular the capacity to service the debt and depreciation of additional investment and having insufficient assets to charge for further debt.

Discussion ensued on the requirement of Home in Scotland (HiS) **contributing to the Group's SBT**; complying with covenants; the capacity to invest, grow and service debt as part the Business Plan and the resilience to absorb shocks such as increasing costs and income reduction.

Gavin sought clarification on the current headroom for intercompany on-lending into HiS and Helen confirmed this was at capacity largely in terms of security and unsecured debt would cost more.

Susan encouraged exploring the realities of the context we are currently operating within and to be as ambitious as we can within the opportunities, demands and constraints of our operating environment. It was noted that the advantage in Scotland is the availability of grant and that we had not yet been exposed **to the sector's** challenges in England.

Will informed the Board that we would expect a rented investment to start making a positive contribution to the I&E from years 8-15, and prior to this the interest and depreciation will have been higher than the net income creating a drag on the HiS surplus.

Discussion ensued on the lower and higher risk range of delivery models available with particular focus on opportunities and challenges which included:

- (i) Section 75 Agreement – deemed to be a lower risk model of delivery whereby the landowner and local council as part of planning application process will seek to enter into a S75 Agreement that involve developer contributions to affordable housing is well-practiced for HiS schemes to date and the equivalent of S106 monies in England.
- (ii) Development management for Councils or Housing Associations – possibility of providing a development function to support small sites of affordable housing delivery without locking up HiS capital with the potential of a small margin through a small management fee which we have done in the past at modest scale at Holmlea Primary School, Homelea Court and Summerville developments and potentially at Haghill **and Mill O’Mains phase four** development schemes.
- (iii) Strategic Land Promotion – a higher risk investment, requiring diversification of risk through multiple projects and specialist skills over a longer timescale of 5, 10 and 10 plus years. Although the Board noted there were opportunities to control land opportunities and secure pipeline of plots generating a longer term surplus for HiS if plots sold.
- (iv) Build to Rent Forward Sale – presents opportunities to deliver quality private rent housing with the profit generated from the sale of the homes being invested into more affordable housing such as Meat Market phase two, Glasgow. However, the Board noted there was significant caution in the market due to Government intervention, viability due to cost and value challenges and that grant funded housing is often more competitive than BTR pricing.

(v) Joint Ventures and Partnerships – consideration would need to be given to the appropriateness of HiS being part of joint venture (corporate or contractual), as a means of pooling resource and sharing the risk and the tax and vires would need to be considered for a specific project. Whilst the use of joint ventures was well practiced by Home Group, North Housing Limited, a subsidiary of the Home Group, could be party to the joint venture in Scotland to deliver additional housing in Scotland and HiS would purchase any affordable housing.

Further discussion ensued on the success of joint ventures being mainly down to finding the right partner and whilst the risk is the same, Home Group is ahead in the delivery of this model.

(vi) Private Sale for Cross Subsidy example was shared with the Board for illustrative purposes, with the surplus generated from 82 private sale homes in Winchburgh providing equity with grant to invest in another 30 affordable homes.

Mark shared that the context is key and is changing all the time, however, it has been extremely beneficial for the Board to consider the range of creative and innovative options available **and that we should draw upon the Group's experience to date** to build more affordable quality homes in Scotland.

The Board NOTED the strategic discussion and valued the opportunity to shape the Rights Homes Right Places direction of travel for Scotland and that further information would be provided on (1) the Scotland Retrofit Pilot and (2) the Development Schemes Approval Process.

2595 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT FOR HOME IN SCOTLAND 2022/23 – Helen introduced the ESG Report for 2022/23 and confirmed this was the first time we had produced the annual report for Scotland, to showcase our ESG performance with a range of stakeholders, in particular funders and investors who increasingly consider the ESG activities of potential partners in making funding decisions.

Both Gillian and Catherine wished to formally place on record their thanks to those involved in the compilation of report, as it was an enjoyable read, appealed to a broader audience and

will be good to use for external positioning. It was noted that ESG reporting in Scotland is at an early stage and that Home in Scotland is one of the first in the sector to have published such a comprehensive report.

The Board APPROVED **the Home in Scotland's** ESG Annual Report for 2022-23.

2596 PROGRAMME OF BUSINESS 2023

The Board NOTED its Programme of Business for 2023 would **be amended to reflect the agreed actions arising from today's** Board meeting.

Charlotte informed the Board that arrangements would be made in the New Year for a Joint Board Dinner with HiS and Home Group Boards and would also include a visit to Gateshead **Innovation Village and One Strawberry Lane, Home Group's** new Head Office, located in Newcastle.

2597 ANY OTHER BUSINESS

No other business was discussed.

2598 DATE OF NEXT MEETING – 14 November 2023 via MS Teams.