

HOME IN SCOTLAND
MINUTES OF BOARD MEETING OF HOME IN SCOTLAND BOARD
HELD ON 25 JULY 2024 AT THE SCOTSMAN HOTEL, EDINBURGH

PRESENT

Susan Deacon	Chair
Emmanuel Asante	Board Member
Mark Henderson	Board Member/ Chief Executive Officer
Robyn Inglis	Board Member
Kellie Macleod	Board Member (online)
Gavin MacKenzie	Board Member
Catherine Wood	Board Member (online)
June Wylie	Board Member

APOLOGIES

Gillian Campbell	Board Member
Grant Campbell	Board Member
Helen Meehan	Board Member/ Chief Finance Officer

IN ATTENDANCE

Fiona McTaggart	Interim Director of Scotland
Charlotte Burnham	Company Secretary
Chris Hopkins	Director of Finance
Shona Mitchell	Senior Advisor
Will Gardner	Executive Director of Asset & Development
Paul Walker	Executive Director of Repairs and Maintenance
	[Item 2666] online
Sarah Dean	Internal Audit Manager [Item 2667] online
Ruth Corless	Governance Business Partner

2661 CHAIR'S OPENING REMARKS AND APOLOGIES

The Chair welcomed all to the meeting and extended particular welcome to a new Board member, Emmanuel. A round of introductions took place.

It was **NOTED** that apologies were received from Grant Campbell, Gillian Campbell and Helen Meehan.

The Chair explained the core purpose of the meeting and the need for a strategic discussion. It was advised that some members joining online would leave before close of the meeting.

2662 DECLARATIONS OF INTEREST

The Board **NOTED** the Declarations of Interest and Gavin Mackenzie confirmed the update made.

2663 MINUTES OF HOME IN SCOTLAND BOARD

The Board **APPROVED** the Board minutes of 21 May 2024 as a true record of the meeting.

The Board **APPROVED** the Action Committee minutes of 30 May 2024 as a true record of the meeting.

The Board **APPROVED** the Action Committee minutes of 17 June 2024 as a true record of the meeting.

2664 ACTION POINTS

The Board **NOTED** the action points and received an update on Action 2650. Will Gardner confirmed the profile of current homes would form part of this meeting's main presentation.

The Company Secretary confirmed that all Action Points were up to date and completed.

2665 DEVELOPMENT DISCUSSION

Will Gardner presented his development paper. The Chair explained that Will's presentation would support the Board's discussion on strategic development options for Home in Scotland. Members were reminded of the strategy to provide 'the right homes in the right places' and contribute to affordable housing in Scotland "which was an imperative." The Board had previously given a clear steer to Will to bring forward options that could be considered and Will was now asked to present in his proposals and options to the Board.

Will acknowledged the future grant uncertainty in Scotland and the change of UK Government which impacted the current landscape in which decisions were being made. This could see a change in the funding model for housing in Scotland and being ready to respond was necessary to meet strategic objectives.

The current profile of stock in Scotland was summarised and a recap of developments forming the five-year business plan. The 636 homes expected to be provided accounted for a 13% increase in current stock. This was a significant amount compared to Home Group overall and Home in Scotland was noted to be one of the bigger developers in Scotland. The financial investment required for these homes, was given along with details of improvement and maintenance of current stock. Funding structures for the developments and works was detailed and a liquidity of 21-24 months was reported as being in place. This exceeded the recommended 18 months expected by the

Regulator.

Will noted general rent-increase rates, regulations and how this fed into finance plans and buffers that the organisation maintained. Current stock quality in Scotland was being assessed as part of the security headroom in place.

Board members were asked to consider whether they agreed with the principal to maximise the capacity for development for Home in Scotland. The Chair noted the impressive record of delivery from Home in Scotland. Mark confirmed this was the case by single tenure, but that significant changes to grants would prevent delivery on the current plan.

Gavin noted the significant costs going into the plan for Net Zero requirements which along with grant reduction would significantly impact the current plan. Net Zero costs would slow the plan, and achievements could only currently be met through grant support. The incentive to defer Net Zero costs and the risks were noted.

Catherine confirmed the clear and under-emphasised delivery from Home in Scotland and agreed the expected grant cuts and market sentiment needed to be considered. Catherine asked if the Scottish Government's 'open door' and exploration of possible options had been considered.

Shona shared that a sector-wide group was making recommendations given the current uncertainties. Smaller RSLs were reluctant to put plans in place due to the risk of significant changes to grants available, potentially leaving greater grant opportunities for larger developers. Potential Scottish Government changes were discussed, and the sector-wide group was encouraging joint developments. Fiona confirmed that Local Authorities were completing their own developments first and using funding for this. RSLs were not being given opportunities at this time. Will explained the 80-60-40 funding across three-year developments and explained Home Group's advantage over smaller developers.

Robyn raised the financial implications for customers, the impact on reported child poverty if rents increased, and the risk to families managing day-to-day living costs. Will confirmed that having considered the implications of different rent settlements, that funding developments from rent increases was not palatable.

Board members considered whether they wished to maximise development capacity. Gavin raised the potential trade-off in

such a decision and sought assurance that current customers would be protected, and the plans were financially sustainable. Gavin added that it was necessary to ensure that the boundaries of risk were not extended, and customers did not carry the burden. June agreed that the development profile of Home in Scotland needed promoted and sought assurance of the trade-offs in making such a decision.

Catherine agreed that maximising the available capacity was preferable, given the extent of the housing need in the country, but that it was necessary to be both ambitious and pragmatic. Enabling delivery, considering joint ventures and consideration of the development management-fees were noted. Catherine did not support building projects on behalf of other organisations but agreed that appropriate joint ventures would be acceptable.

Will presented options within the existing capacity and confirmed the additional homes that could be reached with current grant levels. How this could be alternatively financed was considered and the need for maintaining security and buffers was highlighted. Gavin emphasised the interest and security cover predictability. Will shared a series of financial scenarios with Board Members including rent freezes, reducing energy efficiency spending and seeking business efficiencies. Mark confirmed spending efficiencies would inevitably lead to unemployment, which was not an option and would not provide the levels needed. The group had adopted a CPI+1% rent settlement agreement with government and this allowed Home Group to invest and increase the supply and quality of affordable housing in the sector. In the Scottish sector CPI+1% had not been required but was agreed by HiS Board. This allowed a consistent approach in rent-setting across the group and allowed confident investment.

Gavin sought further understanding of the impact of this and advised that CPI could sometimes be a wrong measure for rent-setting and impacted customers. Mark advised that the group currently had two separate development plans and that the rent-settlement agreement with the UK Government should be adopted across the group. The Chair reminded members of the extensive deliberations on rent in the last two years.

Members discussed the priority of development over sustainability. There were not clear dates for Scottish government announcements, though spring 2025 was the most likely time for any announcements. Anticipation of English grant levels and how these applied to Home Group were outlined. No changes to grants were assumed in the current Scottish plans. Collaboration opportunities were outlined, and members were

advised of the joint bids, procurement and delivery possibilities. Dundee was cited as an example where economies of scale could be gained.

Will outlined the opportunities to fund new developments from the sale of current stock. Gains and risks of this were outlined including the initial loss of rental income, depreciation and wider consolidation of stock. This already formed part of a good asset management strategy.

The Chair invited members comments on the proposal of disposing of stock to fund development. The Board did not agree to the reduction of old stock as a means to increase new homes. Robyn noted the extent of work needed for retro fit in old tenement buildings.

Mark sought clarification from the Board in the disposal of difficult-to-maintain stock, advising inefficient stock would warrant disposal. Members sought to support the ethical disposal of such stock with due consideration on the impact of customers. Gavin suggested the disposal may not increase the capacity as much as might be proposed.

Kellie agreed with very old property disposal if it made business sense but not primarily to create capacity for development. Good management of stock was welcomed.

The Chair confirmed that the Board agreed with the disposal of property 'for the right reasons' which would be set out in a business case to the Board.

Mark confirmed that work with the regulator and the Scottish Government would happen when stock was sold off and justifying this decision would be expected. Board members noted the risks in disposal of stock and the ethical considerations around this.

The Chair confirmed that the Board was willing to be inventive and creative, acknowledged the leverage of the strength of Home Group and the sound business case needed for all decisions. Robyn sought open dialogue with customers impacted by any stock disposal decisions which Mark confirmed was expected by the Regulator.

Board members were advised of the practice of subsidising developments where grants did not exist through private sales schemes. On any given scheme a percentage of private homes and social housing would lead to the generation of new affordable housing opportunities. Mark confirmed this was

common practice in England. Gavin asked whether the gross margin required and the scale of private homes to social homes was achievable in Scotland. Gift aid application was also raised. Chris advised tax applying on gift aid would be determined by the structure of the funding.

Joint Venture opportunities and structures were explained. This allowed Home Group to share risk and finance with other entities. The Chair acknowledged this was novel in a Scottish context. Gavin suggested that meeting the proposed surplus target could take time. Will shared experience of the Winchburgh development.

Catherine asked whether a pilot site was available for the Board to consider and explore. Will agreed to present actual figures and real examples of successful Joint Ventures to the Board at the September meeting.

Action: Will Gardner

Section 75 (Section 106 in England) builds were explained. Such developments attracted grants and were built as part of planning agreements within private developments. The current situation in Scotland of grants applying to affordable homes only could see a change and operate as per S106 schemes. This required checks of viability without grant attachments. The Board were encouraged to consider the different tenures that existed and the varied ways in which homes could be developed, for example shared-ownership schemes. Will shared an examples and costs from the Winchburgh scheme, the positive impact on affordability and how this intermediary product allowed delivery of homes when grants were not available. Home in Scotland Board could consider this product.

Fiona confirmed this model of affordable homes did work and had been introduced 20 years ago in other parts of Scotland. Increased payments to work towards 100% ownership were available to customers. Repairs were the responsibility of the tenant and the low risk of stock being returned in poor condition were noted. Mark confirmed this was a very popular product offering affordable housing to people on the waiting list.

The Chair acknowledged this was not significant in Scotland but was an area of growing interest. Gavin asked how this compared to mid-market rents and was advised the levels were similar. Part ownership was the strong positive about this product. Board members considered the impact on rental income, the one-off surplus in the longer term and the drag on borrowing elsewhere. Chris confirmed this was a well-established product and the security value was 15-25%. Chris confirmed it did not impact on

borrowing rate, but increased borrowing was required. It was noted that increasing purchased percentage rarely happened, and that rent charged was on value of the home not cost. Customer bought 25% minimum share and increased purchase tended to happen at points e.g. after inheritance rather than purchased in smaller increments.

The Chair sought the Board's consideration on exploring new tenures now ahead of grants levels reducing in Scotland. Fiona advised that supporting people onto the housing market who would never be accessible to social housing was increased through the proposed shared ownership product. Will advised tester examples of shared ownership schemes could be brought to the next Board meeting in September. Gavin acknowledged if grants were to stop there would be little alternative.

Will explained the Private Equity Model of providing homes and explained about the balance sheet capacity that determined decisions. The Scottish Housing Regulator had prohibited applications from not-for-profit providers with no changes currently expected. Will explained the structure and implications of this model of providing affordable homes, the accounting rules that applied and the implications on covenants.

Shona declared an interest in this, having worked on a paper proposing this model. Gavin agreed in the common model of finance mentioned but advised the returns did not match expectations since the sector was unlikely to achieve the preferred returns. How this worked when grants applied also was noted. Will advised this was not a new model and could be easily presented. The use of this model for One Strawberry Lane development was noted. This method of financing was in place but had slowed due to the changes in interest rates.

Catherine confirmed the demand for this initiative had been significant in Glasgow. East Lothian Council had explored this to develop public land. The long lease arrangement was an alternative that needed to be considered.

The Chair confirmed the Board's desire to be open, actively consider different ways of providing safe and affordable homes for people in Scotland whilst being pragmatic and cautious in exploring new models. The Board had shared a low appetite for financial risk which followed on from the Board treasury session attended previously. The Chair noted the input from the SFHA conference and reminded members that Home in Scotland were more strongly placed than others to consider innovative ways forward. The Chair recognised how much more there was to be done in supporting housing development in Scotland and specific

proposals needed to be considered. The Chair acknowledged the work of Will and Chris in seeking new ways of development.

June confirmed that Home Group's experience and exposure would give momentum and energy to position Home in Scotland to respond. The Chair confirmed that the Board wished to share its story to grow and achieve more for the benefit of the people in Scotland.

Gavin reminded members of the reality of the purpose of the organisation and the new funding models required caution to address the problem properly. The Chair acknowledged the need for the Housing Sector in Scotland to speak collectively and for Home in Scotland to support this.

The Board **AGREED** that using rent increases to fund development was not an option.

The Board **AGREED** that Shared Ownership products be considered.

The Board **AGREED** they would be willing to consider joint venture opportunities with sound business proposals.

2666 Feasibility of Direct Labour Organisation (DLO) in Scotland

Paul Walker presented the feasibility report. The Board was advised that the DLO across the group outperforms all other provision for repairs, however implementing such a setup in Scotland would cost more than the current charges made by Novis and incur £297K change over costs. Novis' performance was good and had seen improvement in 12-24 months previously. The satisfaction score from customers was 7.8 out of 10 currently. It was not recommended to change now, but to undertake a full options appraisal, consider views across the sector and determine best options in the next 12 months.

Fiona confirmed that Novis performance had improved. The Scottish repair services was the best it had been in the last ten years and the KPIs were being met.

Mark confirmed that the business did not have the capacity to support the change and bring the repair service in house. Fiona confirmed the positive changes would not warrant a change at this time.

Robyn confirmed improvements were being seen by customers and the Customer Service Improvement Plan was being applied to improve the first point of contact. The disparate systems were noted and were being addressed to improve response and Novis were proactive in addressing

the issues that were being seen. The improvement continued and was monitored.

Paul acknowledged the excellent work of colleagues that had resulted in outstanding work being reduced and diaries being opened to meet customer requests. Home Group would retain control of the service and customers would not be given direct contact with Novis.

The Chair thanked Paul for his clear and firm recommendation not to develop a separate DLO for Scotland at this time.

The Board considered Repairs and Maintenance and Customer Service more generally.

The Customer Satisfaction Survey had been made available to members and the Board **AGREED** to invite the new Customer Experience Director to the next Board meeting.

Action: Agenda

The Chair thanked all colleagues for their work, the improvements seen and the performance overall, which was clear in reports received.

The Board **AGREED** to retain the current repairs service in place and review the DLO position in 9-12 months.

2667 ANNUAL ASSURANCE REPORT

Sarah Deans provided a summary of the assurance report. This was presented ahead of the Annual Accounts in September. Sarah advised Board Members of the audits completed and the areas of limited assurance given in the report. Antisocial behaviour and follow audits were noted and zero reports of subletting was discussed. Fiona agreed this would be reviewed and reporting of these incidents assured.

Action: Bryony Willett

Sarah noted the Home Group Assurance Statement had been approved which would give reasonable assurance to the Home in Scotland Board of the sound system of internal controls. The Chair reminded members of the twice-yearly reporting and the scrutiny by the Audit Committee which Gavin attended. Gavin assured Board Members that the Audit Committee were assured that all internal controls were appropriate.

The Chair noted the Tenancy Sustainment Audit and sought an update on the recommendations. Fiona advised that eight out of ten recommendations were still within deadline and would be progressed by the new Director. Two of the actions were closed. The Risk Register was being reviewed and actions would be addressed through internal controls.

Mark noted the zero report on tenancy subletting and the Chair asked that the new Director scrutinise how data was collected and reported ahead of next meeting.

Action: Bryony Willett

The Board **APPROVED** the Annual Assurance Statement.

2668 COMPANY SECRETARY REPORT

The Company Secretary report was presented. Approval was sought that Austin Woods be appointed as interim Company Secretary.

Charlotte confirmed that Board member recruitment had closed, with disappointing levels of interest. The recruitment campaign would run longer. Board Member changes would be noted at the Board's AGM in September.

The Annual Assurance visit with the Regulator was reported. The feedback report had been positive, and the Chair thanked colleagues for their preparatory work for this visit. An official follow-up report was received, and the website had been identified as an area of improvement. This was in progress.

The Board **APPROVED** the Company Secretary appointment.

2669 DIRECTOR REPORT

The Director shared highlights of her report and advised this was a summary due to this meeting having a strategy focus.

The Customer Satisfaction Report was highlighted and colleagues following Home Group's overall strategy was noted.

A successful retrofit pilot grant was explained and a Health and Safety incident at the Sick Children's Hospital noted. Will explained the circumstances under which the incident had occurred and assured Board members that all colleagues would recover, and an HSE report was expected. The incident had caused no prohibition to work on the site and operations continued with a redesign of the scheme plan and working methods. The Chair noted this had been reported in the local press with no mention of Home Group. The incident was reported to the Health and Safety Committee who would review the HSE report when received.

Gavin asked about the introduction of a collection agent. Fiona confirmed the system had changed and was being embedded.

June asked if it was appropriate for Board members to attend an up-and-coming Community Engagement event. The Chair confirmed this

was and reminded members of the outcome of the Board Effectiveness Report which had recommended more engagement opportunities. This would be followed up with the new Director.

Action: Chair / Bryony Willett

Customer Involvement Forums were discussed. These were not well attended but steps to engage customer further through additional activities, for example, choosing kitchen units, were being planned to address this.

Mark made a declaration of interest and advised members that his sister-in-law worked for Women's Aid and had been brought into the discussions.

The Director's Report was **NOTED** by the Board.

2670 STRATEGY AND BUSINESS PLAN

The Strategy and Business Plan was noted. Some tracked changes were highlighted and Shona advised that a full review of the Business and Operational Delivery Plan had taken place in June. This had been taken forward to this year's plan and included in the five-year financial model.

The Strategy and Business Plan was **APPROVED** by the Board.

The Operational Delivery Plan was **APPROVED** by the Board.

2671 PROGRAMME OF BUSINESS

The Chair advised on work to present the plan for 2025 and would conclude this work with Fiona and Charlotte before presenting to the Board.

The Chair noted this would be Charlotte and Fiona's final HiS Board meeting and, on behalf of the Board, thanked them both for their contribution to the work of HiS. The Chair closed the meeting thanking all for their attendance and contribution.

The meeting closed at 1:30p.m.

Signed
Chair



Date



