

HOME IN SCOTLAND

Minutes of Board Meeting held on 21 May 2024
via Microsoft Teams Meeting

PRESENT

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

IN ATTENDANCE

Fiona McTaggart	Interim Director of Scotland
Charlotte Burnham	Company Secretary
Chris Hopkins	Director of Finance [Item 2653 only]
Karen Wolstencroft	Head of Service Delivery
Monika Lee	Director of Building Safety [Item 2648 only]
Graham Cowan	Director of Health and Safety [Item 2648 only]
Shona Mitchell	Senior Advisor
Steve Hallowell	Director of Treasury & Investor Relations [Item 2655]
Will Gardner	Executive Director of Asset & Development [Items 2649 and 2650]
Lynn Sweeney	Scottish Housing Regulator
Carolyn Anderson	Scottish Housing Regulator

2640 **CHAIR'S OPENING REMARKS AND APOLOGIES**

The Chair welcomed both Lynn Sweeney and Carolyn Anderson from the Scottish Housing Regulator (SHR) to the meeting to observe the Board in operation as part of the **SHR's** annual engagement plan.

It was NOTED no apologies were received.

2641 **DECLARATIONS OF INTEREST**

The Board NOTED the Declarations of Interest.

2642 MINUTES OF HOME IN SCOTLAND BOARD MEETING HELD ON 12 MARCH 2024

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

2643 ACTION POINTS

The Board NOTED the completed Action Points and that those in-progress/outstanding were to be completed at the July meeting or the following September Board meeting.

2644 BOARD, COMMITTEE UPDATES, COMPANY SECRETARY REPORT

Charlotte presented the Company Secretary updates within the report and sought **the Board's** endorsement of Bryony Willett's appointment as incoming Director of Scotland and the further annual review of Home in **Scotland's Operational Manual** and highlighted the Annual Gifts, Hospitality, Payments and Benefits and Whistleblowing reported cases for Scotland for 2023-24.

The following updates were heard from the respective representatives for each Board and Committee:

- (1) Home Group Board and Governance Committee - Susan advised that both had met and drew attention to the **Group's** Executive Remuneration exercise for 2024-25 which had now concluded and the successful Joint Board Dinner held in Newcastle.
- (2) Audit Committee – Gavin reported that there had been much debate on the sign-off **the Group's Internal Audit Plan for 2024-25**, the recent findings of the Contractor and Supplier Management Internal Audit and the on-going review of the **Group's Risk Management Framework to be further** considered at their next meeting in July 2024.
- (3) Health and Safety Governance Committee – June updated that the Committee continues to take a rigorous approach to compliance reporting and welcomed the current wellbeing work with specific focus on mental well being.

Susan shared that she and the Executive Team were meeting with the Scottish Housing Regulator the following day as one of 13 selected landlords as part of a verification visit for 2023 Annual Assurance Statement, the findings of which would be shared with the Board in due course.

The Board NOTED the Board, Committees and Company Secretary Report, ENDORSED the appointment of the incoming Director of Scotland, Bryony Willett and APPROVED the minor changes to the Home in Scotland Operational Manual, as part of realigning the timing of its annual review.

DIRECTOR'S REPORT

Fiona updated the Board on the following key issues as part of the Director of Scotland update:

- (1) Development – A total of 479 homes have been delivered during 2023-24 as opposed to 475 as referred to within the report, with a total of 108 units exceeding the 96 delayed **units from last year's** original plan.
- (2) Customer Satisfaction – It was found overall customer satisfaction had reduced by 3% which was comparable to the wider sector.
- (3) Voids – very positive performance with minimal void loss.
- (4) Maintenance – Gas and electrical services, asbestos management, lifts and lifting equipment and legionella compliance remains at 100%.
- (5) Funding Refugees – funding had been secured in Dumfries and Galloway to refurbish 20 void properties for Ukrainian families.
- (6) Retrofit Pilot – funding bid submitted and awaiting the outcome with a contractor lined up ready to start the work.
- (7) Arrears – of £42.5k at the year end due to the volume of new build and customers awaiting universal credit payments.
- (8) Maintenance – **Novus' performance is now actively being** monitored through a performance improvement plan as service standards have decreased to unacceptable levels.
- (9) Great Places to Work Survey – showed Scotland overall Trust Index score had decreased by 9% in comparison to last year with salary levels being the largest unfavourable score.
- (10) Dumfries and Galloway Disposal – early conversations on stock swap but very early days.

Discussion ensued on the political landscape, following the ending of the SNP partnership agreement with the Greens and the subsequent election of a new First Minister. Mark shared that it was highly likely that many of the proposed changes would impact on the housing sector and that it would be inevitable the Housing Bill would be delayed.

The Board NOTED the Director's Report.

Q4 KEY PERFORMANCE INDICATORS

Fiona presented the Quarter Four Performance Report covering the reporting period January to March 2024 and advised that we were continuing to focus on void loss and current arrears of mid-market rent properties.

Gavin queried the mid-market rent performance which is usually very high, however, Fiona clarified that it had dipped in the final

two quarters of the year as the team managed the continued handover of the new build at both the Meat Market and Kennyhill Square in Glasgow. This project was managed with a team that was reduced by 50% due to long term absence and vacancies whilst managing the day-to-day priorities. Fiona further shared that we had high arrears cases at the First Tier Tribunal which have taken over six months for dates and decisions pending.

Grant welcomed the improvements made to the ASB cases closed in comparison to the quarter three performance reported.

Robyn queried how assurance is sought with regard to gas safety and Fiona confirmed that we have confidence in the verification undertaken by an external company.

The Board NOTED the good level of performance outlined in the Quarter Four Performance Report.

2647 Q4 COMPLAINTS PERFORMANCE

Karen presented the Quarter Four Complaints report covering the period January to March 2024 performance highlighting 100% of Stage One and Stage Two complaints were responded to within the Scottish Public Sector Ombudsman (SPSO) timescales and no complaints were escalated to the SPSO this period.

Susan queried the main driver of complaints and Karen confirmed that complaints continue to be predominantly in repairs and maintenance and that we are continuing to hold weekly meetings with the relevant departments along with Novus to ensure we are working together to understand the reason for the complaints and to ensure that we respond appropriately.

Robyn shared the customer experience was usually down to poor communication and further improvements in the way we communicate with customers was required.

The Board NOTED the progress outlined within the Quarter Four Complaints Performance Report.

2648 Q4 HEALTH AND SAFETY PERFORMANCE

Monika and Graham jointly presented the report and advised one accident, two incidents and one near miss work related events have occurred since the previous Board update. Accident reporting continues to remain low due to the low-risk environments, and the campaign to increase near miss reporting is ongoing to help identify trends. All Development sites are continuing to complete monthly Health and Safety returns, with no accidents or injuries reported. The Repairs and Maintenance contractor Novus reported four accidents in the last quarter with performance under regular review. All overdue FRAs have now been completed and all FRAs are now in date of their reinspection cycle and additional capacity

had been secured with three new fire positions to strengthen the function.

In response to legal advice from **Devonshire's solicitors**, Monika confirmed asbestos management surveys had been instructed in common areas of domestic properties extending the existing brief of surveying common areas in blocks only. Discussion ensued on customer safety and satisfaction rather than solely law and regulatory requirements and it was noted that consideration was being given to sharing information about the potential of asbestos **containing materials in customers' homes**.

The Board NOTED the Quarter Four Health and Safety Performance Report.

2649 Q4 DEVELOPMENT PERFORMANCE REPORT

Will presented the report and advised we have started 102 homes on site this year against a target of 194 which is a reduction of 92 against the Business Plan as a result of delays to East Balornock, Mill O Mains and Winchburgh Schemes.

Since the last Board meeting, handovers have been progressing well with a total of 479 handovers achieved this year against a target of 371.

Will informed the Board that the delay in handovers, particularly the Meat Market and Pitkerro has meant a shortfall of £722,104 in new rental income for the year, despite efforts to minimise void loss and maximise income was unavoidable.

Discussion ensued on the 1,125 homes forecast against a business plan of 958 which included the 111 open market homes at Meat Market Two), a change of minus two from the March performance report as a result of modifications to the design of the Haghill Scheme along with the ongoing meetings with Scottish Government and local authorities with regard to the risks associated with the reduction in grant funding beyond April 2025.

The Board NOTED the Quarter Two Development Performance Report.

2650 Q4 ASSET PERFORMANCE REPORT

Will introduced the new asset performance report for the quarter four period which provided an overview of our asset management approach for the management of our properties.

The newly introduced report set out as of the end March 2024 the 2,148 stock condition surveys completed to date; the 17 Scottish Housing Quality Standard fails; confirmation of no properties with RAAC; progress on the One Property Project; an update on the Home Group Standard and 72.17% of homes in Scotland are EPC C or below.

Will informed the Board that a retrofit bid had been submitted for two blocks of flats in Dundee with the ambition to bring them up to EPC A rating and to pilot our approach in how we tackle retrofit in tenement blocks.

Discussion ensued on Home in Scotland's footprint and it was agreed that 'Right Homes, Right Places' is likely to be the main strategic discussion item at the July meeting of the Board.

The Board NOTED the Quarter Four Asset Performance Report and AGREED that additional information be circulated to the Board on the One Property Project and Home Group Standard.

2651 Q4 FINANCE PERFORMANCE

Helen presented the Quarter Four Finance Report highlighting that at the end of quarter four surplus was £4.5m, £1.0m ahead of budget, with an operating margin of 25.0% against the 25.6% budget provision, demonstrating an improvement on the 2022-23 year-end margin of 20.5%.

The main drivers of the variance were (1) earnings before interest tax, depreciation and amortisation ending the year on budget as a result of higher income and savings within building safety work offset by higher maintenance costs and lower property sales surplus; and (2) interest of £1.3m lower than budget as a result of higher levels of capitalised interest due to development schemes delays (including the Meat Market).

The Board NOTED the Quarter Four Finance Report and that the year-end accounts will now be subject to external audit and presented to the Board in due course.

2652 SCOTTISH HOUSING REGULATOR ANNUAL RETURN ON THE CHARTER (ARC) 2023-24

Karen delivered the Annual Return of the Charter 2023-24 presentation outlining the verification and evidence process followed to enable the validation of data and provide assurance to the Board that the regulatory guidance has been followed, prior to submission to the Scottish Housing Regulator (SHR) by the end of May 2024.

Discussion ensued regarding **Home in Scotland's** performance during the last 12 months against the **SHR's** set of standards that social landlords should be aiming to achieve for their customers when performing housing activities with specific reference to:

- (1) The reduction in overall rent arrears as a result of additional support targeted to customers in the most difficult situations;
- (2) The achievement of 0.7% void loss in keeping with last year and the total social rent lets increasing from 311 to 394;

- (3) The rising increase in anti-social behaviour, in particular relating to noise complaints;
- (4) Tighter contract management with Novus to improve contractor performance, in particular Right First Time;
- (5) The increase in property adaptations as a result of additional funding from the Scottish Government;
- (6) Customers continue to remain safe with regulatory gas servicing performance retained at 100% compliant;
- (7) 97.78% of stock meets the Scottish Housing Quality Standard, projected to 98.17% by the end of March 2025.
- (8) High performance of complaints handling at both Stage One and Stage Two;
- (9) The reduction in overall customer satisfaction by a small margin of 3%; and
- (10) The key areas of focus of repairs and maintenance and customer satisfaction through the introduction of action plans to support improvements during 2023-24.

The Board APPROVED the Annual Return of the Charter for 2023-24 to enable submission to the Scottish Housing Regulator by the end of May 2024.

2653

FIVE YEAR FINANCIAL PLAN AND 30-YEAR FINANCIAL PROJECTIONS

Chris **sought the Board's approval of the proposed** Five-Year Financial Plan which had been produced in close conjunction with the **Home in Scotland's Business Plan** with a longer-term financial forecast for a thirty-year period to 2054.

The Board recalled that the core assumptions of the Plan were previously considered at their January Board meeting. The stress testing scenarios modelling of a rent freeze or cap, increase in interest rate and inflation, **provided assurance that Scotland's** financial plans are robust enough to remain within all lender covenants with sufficient liquidity to cover a minimum of 21 months.

Discussion ensued on financial impact of delivering 600 new homes during the five-year plan, the likely marginal improvement in voids, bad debt and arrears and the significant investment in existing homes for repairs and maintenance as a result of the stock condition surveys undertaken during the last 12 months.

Gavin questioned the level of drawn facilities across the plan and Chris confirmed that in order to fund development plans, borrowings increase by £52.2m across the duration of the plan compared to the previous plan, however, at the end of the five years, borrowings equate to approximately £8.9m lower than the 2023 five-year plan assumption.

The Board APPROVED the Five-Year Financial Plan and 30-year financial forecasts for submission to the Scottish Housing Regulator by 31 May 2024.

2654 STRATEGIC PROGRESS REPORT UPDATE AND REVIEW

Fiona presented the report outlining the progress of the 2023-24 Operational Plan along with the review of the Business Plan for 2024-25 with no material changes being made other than the updating of changes due to the external environment including new and emerging risk and opportunities.

The Board discussed the progress made in delivering the 2023-24 Operational Plan with specific reference to:

- (1) The undertaking of customer satisfaction survey and the supporting action plan to address areas of decreasing satisfaction completed in November 2023;
- (2) The arrears target not being achieved due to the volume of new build which has led to an increase in arrears where new customers are awaiting the payment cycle from Universal Credit;
- (3) A total of 475 homes being delivered, exceeding the target to deliver 371 new homes this year;
- (4) The progress of Stock Condition Surveys bringing the total to 2882 during this strategy; and
- (5) The publication of our first ESG Report for Scotland.

Fiona recalled to the Board that the Business Plan aims to ensure we achieve our strategic objectives and long-term financial health and viability of the organisation. An annual review of the Business Plan for 2024-25 has been undertaken and acknowledging the external environment is changing, no material changes were proposed, simply contextual updates.

The Board NOTED the progress with delivery of the 2023-24 Operational Plan for Scotland and APPROVED the updated Business Plan for 2024-25.

2655 TREASURY REPORT

Steve presented the report summarising the current treasury activities with specific focus on the progress that has been made in the financing discussions with Lloyds and the Royal Bank of Scotland.

Steve informed the Board of the advanced negotiations with Lloyds to fix the rate of the existing £20m and £30m loan facilities would generate interest savings and improve the fixed debt ratio and sought approval from the Board to progress the fixing of the rate over the coming weeks subject to an interest rate ceiling.

The key terms for a renewed £40m facility with both a £20m fixed term loan and a £20m revolving credit facility with the Royal Bank

of Scotland was also discussed given the facility is due to come to term in August 2025. Steve confirmed that the outcome of the negotiations will improve the level of fixed rate debt and increase the period of liquidity period to 38 months and would likely be subject to Board approval via an Action Committee next month.

Discussion ensued on the guidance received from Centrus, our external Treasury Advisors regarding the length of the fixing, with the Board acknowledging that there is no commercial benefit in fixing for longer than seven years as this will provide interest certainty in the medium term without committing to higher rates in the longer term.

The Board NOTED the treasury activities outlined within the report and APPROVED (1) A fixed interest rate ceiling of 5.1% for the current facility negotiations with Lloyds; (2) A fixed interest rate ceiling of 5.8% for the current facility negotiations with RBS; and (3) the draft Loan Portfolio Return, subject to any material changes as outlined within the report.

2656 CUSTOMER BOARD MEMBER RECRUITMENT

Charlotte presented the report outlining the activities that had been undertaken to promote the customer board member opportunity with Home in Scotland customers.

Charlotte highlighted the On-Board training held in April 2024 in Glasgow for Home in Scotland customers interested in becoming Board Members. A total of four customers attended the training event alongside Home in Scotland staff and Robyn, the current Home in Scotland Customer Board Member.

As a result of the On-Board training, the Board was informed that two customers had applied and were recently interviewed by Susan, Catherine and Robyn who would be meeting immediately **after today's Board meeting** to agree a recommendation to Board.

The Chair reported that she was hopeful that a new customer board member would be in attendance at the July Board meeting.

The Board welcomed the progress of the Customer Board Member recruitment campaign and NOTED the update.

2657 RISK MANAGEMENT OVERVIEW

Charlotte presented the risk management report informing the Board that there continues to be five risks on the Home in Scotland Register recently reviewed in April 2024 in consultation with the Director of Scotland and colleagues with appropriate controls and actions in place to mitigate each risk.

Discussion ensued on the most significant risk around regulatory compliance which was currently sitting at a high level and the appropriate current controls/actions; a recap on the issues arising

from 2023 Sector Risk Profile; emerging risks and the progress to **date on the review of the Group's Risk Management Framework.**

The Board AGREED that arrangements be made to hold a dedicated risk management session later in the year and NOTED the progress outlined within the Risk Management Report.

2658 PROGRAMME OF BUSINESS 2024

The Board NOTED its Programme of Business for 2024.

2659 ANY OTHER BUSINESS

No other business was discussed.

2660 DATE OF NEXT MEETING

25 July 2024

A handwritten signature in dark ink, appearing to read "Susan Deacon".

Susan Deacon – Chair.
25 July 2024