

HOME IN SCOTLAND
Minutes of the Board meeting held on 18 May 2021
by video conference call

PRESENT

Myriam Madden	Chair (National Member)
Ian Campbell	Board Member (National Member)
Mary Finnegan	Board Member (National Member)
Gillian Campbell	Board Member (National Member)
Catherine Wood	Board Member (National Member)
Julia Cheung-Buchanan	Board Member (National Member)
Ron Bowes	Board Member (National Member)
Mark Henderson	Board Member (National Member/Parent Appointee)
John Hudson	Board Member (National Member/Parent Appointee)

IN ATTENDANCE

Sandra Brydon	Director of Scotland
Stuart Dixon	Head of Development
Russell Hall	Group Company Secretary
Callum Foster	Head of Finance
Chris Hopkins	Head of Financial Planning and Financial Reporting
Matt Forrest	Executive Director – Operations
Paul Walker	Director of Maintenance [Item 2439]
Doug Bacon	Director of Asset [Item 2440]
Donna Milton	Arneil-Johnston [Item 2442]
Scott Peden	Observer

2429 APOLOGIES FOR ABSENCE

There were apologies from Annie Mauger-Thompson.

2430 DECLARATIONS OF CONFLICTS OF INTEREST

Board members were asked if they had any conflict of interests in respect of the agenda items, none were declared.

Myriam did note two changes to her declarations, they were

- Her term as a board member of the International Standards setting board for Ethics in Professional Accountants had come to an end.

- Myriam had recently joined the judging panel for the 2021 PwC National Building Trust Awards.

2431 CHAIR'S REPORT

The Chairman opened her report by informing the Board that she had recently attended the Home Group Audit Committee meeting and updated the Board on the business of the Committee including approving the Annual Assurance Plan, discussing the Assurance Progress paper which reported on the 11 most recently completed audits being reported, all bar one had received either full or substantial assurance ratings. The Committee had also received an update on Risk.

Myriam thanked the Board members who had been involved in recent Action Committee's including the forthcoming ARC Action Committee

The Board **NOTED** the Chair's report.

2432 DIRECTOR'S REPORT

Sandra introduced the report and updated the Board on various activities including:

- An update on operational performance, noting improved performance on arrears and positive performance on voids
- Informing the Board of the progress being made on Financial Inclusion, also highlighting the introduction of the Tenancy Sustainment Framework
- The Board also noted the position with regard to draft SBT which was circa £275k behind budget and received an update in relation to the Homelea Primary School development where investigations were underway to identify solutions to the heating system issues being experienced by some Customers.

The Board **NOTED** the report.

2433 FIVE YEAR FINANCIAL PLAN

Chris presented the Five-Year Financial Plan (5YFP) covering the period 2021/22 to 2025/26, which, when approved by the Board, was due to be submitted to the Scottish Housing Regulator by 31 May 2021.

Chris explained that the plan was aligned to strategic objectives and the wider Home Group plan and was based on the updated assumptions discussed by the Board in March. Chris took the Board

through some of the key financial metrics including the growth in SBT with Board noting the impact of higher depreciation charges and the scaling up of group recharges. The core operational business remained strong with net assets increasing by £25m over the 5 years with plenty of headroom in the business and gearing significantly lower than the loan maximum of 75%.

The Board discussed the stress testing scenarios that had been undertaken, noting in all cases, except the "perfect storm", the plan operated within covenants, and in that perfect storm scenario the mitigations which would be carried out, including dialling down development activity and reducing discretionary spend could bring the plan back in line with all covenants.

In response to a question on interest rate assumptions and what might happen if the interest rate continued to increase, Chris confirmed that higher interest rates would be reflected in the rents Home Scotland charged and in terms of borrowings it was always the case that at least 60% of debt was linked to fixed rates, giving the organisation some comfort if interest rates were to increase significantly over a long period.

The Chairman raised the issue of Group recharges and the narrative on this with the Regulator. Chris confirmed they would be very open with the Regulator on this when the plan was submitted, with John confirming that colleagues across the business would be working together to ensure that value for money could be demonstrated for the recharges being applied.

Th Board also raised a point on the shortages of some materials being experienced in the buildings and maintenance sectors. Colleagues recognised this as an issue within the sector, but Stuart confirmed it hadn't impacted Home Scotland in any significant way at the moment but was something he was keeping a close eye on, along with possible labour shortages. Stuart also explained that in the core documentation with Contractors they were generally on fixed prices so increased costs were more difficult to pass on to Home Scotland under those contracts.

The Board **DISCUSSED** and **APPROVED** the Five-Year Financial Plan and **APPROVED** the submission of the Scottish Housing Regulator Five-Year Financial Plan.

(Post meeting note: A copy of the final version of the 5YFP, which was submitted to the SHR has been made available within the May Board papers in Board Intelligence. There were no changes to Appendix 1 and 2 which were presented to the Board).

2434 TREASURY REPORT

John introduced the report to seek approval to submit the Scottish Housing Regulator Loan Portfolio Return. The report also provided an update on Treasury activities and KPIs monitored by the Treasury Team.

John confirmed that the £20m RBS loan that matured last August had been replaced with a £40m 5-year revolving credit facility which was now fully secured and available for drawdown. John confirmed that in total Home Scotland had £54m of undrawn and available facilities.

Board also noted that the security in place with Lloyds was being reviewed and revalued which it was anticipated that this might allow circa 450 homes to come out of security.

In closing the discussion on the Treasury Report the Chairman noted the good performance on Treasury KPI's contained in Appendix 1 and suggested that it would be good at some point if the Board could receive a training session on treasury matters.

The Board **APPROVED** the annual Loan Portfolio Return at Appendix 4 and **NOTED** the remainder of the report.

2435 CUSTOMER FOCUS: CUSTOMER INVOLVEMENT JANUARY 2021 TO MARCH 2021

An update was presented to the Board on customer involvement activities, as set out in the summary at Appendix 1, which supported Charter requirements and the objectives set out in Home Scotland's Customer Involvement Strategy. Priorities had been developed in collaboration with the Viewpoint Team and a new customer focus group in Dumfries and Galloway was helping to shape the new service in this area with Dumfries and Galloway Housing Partnership.

The Board **NOTED** the update.

2436 CUSTOMER FOCUS: COMPLAINTS REPORT FOR APRIL 2020 – MARCH 2021

The Board was presented with the report on complaints handling performance. Given the difficulties brought about by Covid-19, which had meant diverting resources to other priorities or being unable to fully investigate issues because of the restrictions, the target timescales had not been achieved, with 94% of stage 1 complaints responded to within 5 days and 92% of stage 2's within

the 20-day timescale. Most complaints related to repairs and maintenance, with an increase regarding MMR and a small number related to service delivery, factoring and development. In order to understand themes and support improvements, a new complaint monitoring and lessons learned tool currently used by the Maintenance Team would be adopted.

The Board **NOTED** the report.

2437 DELIVERY AND DEVELOPMENT REPORT

Stuart introduced the report and reported that the local authorities within which Home Group operated had now confirmed their grant allocations and that meant Home Scotland could now move forward with some of the pipeline schemes. The other key highlights were:

- There were no development approval requests being brought to the meeting.
- Delivery of 95 new homes was on track for the current financial year and handovers would commence in June and a rolling programme through to March 2022
- Regarding Linthouse re-cladding, 'pull tests' had been carried out to inform the submission to building control and work was continuing on a tender package with the aim for a start on site in early summer. Stuart confirmed that there had been good engagement with Customers, and they were supportive of the planned works.
- At Homelea, following performance and running cost issues with the heating system in 24 properties, the results of an independent investigation report were awaited from BRE. Contractors had replaced some radiators and further alterations to boilers and radiators may be required, but a review of alternative electric heating systems was also being considered and active engagement was continuing with all residents. In response to questions from the Board, Stuart confirmed that some Customers had experienced far higher heating costs than might be expected, some of which was down to design flaws which were being rectified by the Contractors, the cost of those works was being picked up by the Contractors. Stuart also confirmed this had been a difficult scheme with it being a listed building and whilst the grant levels had been high to convert the building it was probably not the sort of development Home Scotland would look to repeat. Responding to a query from the Board, Sandra confirmed that 2 Customers at the scheme who had experienced higher heating costs had fallen into arrears and were being assisted by the Financial Inclusion Team.

- Stuart informed the Board that he had been engaged in discussions about developing affordable housing in Fife, but the discussions had not been productive, with Fife Council confirming they would not be supportive of development schemes with Home Scotland as they were not part of the Fife Housing Association Alliance.

The Board **DISCUSSED** and **NOTED** the report.

2438 FINANCE AND PERFORMANCE REPORT

Callum presented the March results and took the Board through some of the key points including,

- Rent arrears had decreased by £138k in March, following hard work by colleagues and supported by Rent Sense.
- Surplus Before Tax was £476k behind budget in March, due to replacement window costs at Linthouse and annual adjustments to the housing properties impairment provision. Full year SBT was £295k behind budget.
- There had been a large surge in termination of tenancies in general needs at the end of the financial year, however void loss was in budget due to good performance earlier in the year.

The Board members noted that MMR was perhaps not performing financially as well as might be expected, although Sandra explained that this was partly down to the window replacement programme at Linthouse, where voids had been held open through that replacement programme. Colleagues would continue to monitor it as Home Group built up its data on this relatively new product within the portfolio.

The Board **NOTED** the report.

2439 MAINTENANCE PERFORMANCE

Paul provided an update and advised current performance was good against KPI's. Novus was engaged in mobilisation and transition of workloads all of which was on plan and Paul took the Board through the different stages of implementing the full contract.

Board noted there was one risk identified around internal pressures on IS resources, which was currently being managed through the maintenance futures project team although external resource was on standby should it be required. Paul confirmed Home Group was still aiming for a go live date of 1st July with Novus and August 4th for Dumfries and Galloway Housing Partnership.

The Board members identified the importance of communication with Customers given Novus was the same contractor as previously employed in the work, it was critical that the promised improvements in service were visible to Customers. The Board members also thought it might be helpful to understand the planned maintenance journey and how it worked in practice, perhaps via a real example. Paul noted the comments from the Board around communication with Customers and testing the integrity of the data being provided by Novus and would provide a further update at the August Board.

The Board **NOTED** the report.

2440 ASSET MANAGEMENT ACTION PLAN PERFORMANCE

The report was introduced by Doug who advised the Board that good progress was being made across a range of asset management areas and against the Action Plan. Doug also confirmed that he had commissioned a review of the England/Scotland safety legislation with an independent specialist producing a procedural gap analysis based on the differing legislative requirements to identify where Home Group's approach can be unified procedurally and what, if anything, needs to be distinctly separate for Scotland and this will be reported back to the Board once complete in October. In the meantime, Doug would share the scope of the work with Ian Campbell.

Doug also provided the Board with an overview on the Energy Efficiency Standard for Social Housing noting that there were no material changes in Home Scotland's EESSH reporting for the ARC submission this year, he then gave an update in relation to EESSH-2 and confirmed a plan was in place to understand what needs to be done over the next 10 years with some small pilots planned in 2022/23 to test emerging technology.

An update was provided to the Board on the Broomton Road property, noting first the background and the Board's previous decision to dispose of the units. Doug highlighted the potential for a ransom situation with Home Scotland being at the behest of the owners of the commercial units. It was also confirmed that the reason treasury issues had been delayed in relation to Broomton Road was linked to removing the property from security with lenders.

The Board **NOTED** the update.

2441 GREAT PLACE TO WORK SURVEY 2020 OUTCOMES - SCOTLAND

OFFICIAL-SENSITIVE

Sandra presented the report and advised the response rate had increased to 89%, 76% of Scotland colleagues had indicated that Home Group was a great place to work, the highest scores related to job security, reward and work environment areas which reduced and were lower than the rest of HG and included innovation, empowerment & accountability and communication & involvement. The lowest scores were from the housing team in Dundee which historically has had lower results. Actions were in place or in development with colleagues to improve outcomes and Sandra took the Board through some of the work ongoing with those colleagues to address the lower results.

The Board **DISCUSSED** the results.

2442 RENT AFFORDABILITY PROJECT UPDATE

Sandra introduced Donna Milton from Arneil-Johnston, who took the Board through the outcomes of the affordability analysis and the benchmarking work that had been done on Home Scotland rents. The benchmarking suggested rents compared favourably to other Scottish RSL's other than in Glasgow where Home Scotland rents were higher, (although this did not take into account the age profile and size of the homes compared to peers). Home Scotland rents were also significantly lower, (36% less) than Local Housing Allowance and rents on average 47% lower than market rents, meaning Home Scotland made a good contribution to rental affordability in its areas of operation.

Donna then took the Board through the work completed on income to rent measures which showed that in Edinburgh and Glasgow the rents were slightly less affordable for single earners when using the income to rent measures. Board members also noted the work done breaking down rents via household size and make up.

Overall, the work suggested that Home Scotland average social rents are 2% higher than RSL averages for the areas it operates in. That social rents sit below the average LHA for all areas and rents are affordable to low earning households at a 30% income to rent ratio, albeit 35% in Glasgow and Edinburgh. The work did show that whilst most household groups on low incomes can afford the rents, single person households on Universal Credit or the minimum wage are experiencing housing affordability pressures, particularly in Edinburgh, Glasgow and Fife.

The Board discussed the presentation, noting it was an excellent piece of work. In response to queries from the Board, Donna confirmed that it was only housing costs that were looked at in the

benchmarking work, so it didn't take account of utility costs or Council tax etc. The Board also noted that it appeared that single households were the ones who might face the biggest challenges on affordability but it was also likely that there might be an increase in the number of these households in the future so this would be important to factor into future strategic decisions.

In concluding the discussion on this agenda item, the Board noted that the Viewpoint Team would be working with Arneil-Johnston on the customer consultation, due to take place in the summer.

The Board **NOTED** the report and supplementary information provided in the presentation at the meeting.

2443 ADMINISTRATION: ACTION POINTS

The Actions Points were reviewed with no additional matters arising from the actions.

The Board reviewed and **NOTED** the Action Points.

2444 DRAFT MINUTES OF THE HOME IN SCOTLAND BOARD MEETING HELD ON 9 FEBRUARY 2021

Mary requested that the minutes from the meeting on 9th February reflect that during the discussion on item 2412 it had been agreed by the Board that on all future tendering projects similar to these, the Board would be given sight of key Heads of Terms and involved at the early stage of the tender scoping works. This would be reflected in an action too.

Subject to the amendment set out above, the Board **APPROVED** as a true record the minutes of the Board meeting held on 9 February 2021.

2445 DRAFT MINUTES OF THE HOME IN SCOTLAND BOARD ACTION COMMITTEE HELD ON 2 MARCH 2021: SCOTLAND GAS AND ELECTRICAL COMPLIANCE CONTRACT AWARD

Myriam requested that two amendments were made to the minute to reflect firstly that the Committee had agreed that as well as the routine review of performance a more thorough contract performance review including benchmarking against other Home Group regional contracts should be undertaken in July 2024 and the results reported to Board. The second amendment reflected the comments made by Mary above, that the Committee also agreed, more generally, that prior to any future publicly procured contracts going out to tender the key contractual "heads of terms" would be

shared with the Board. These amendments would be made and reflected in the Action Points document.

Subject to the amendments set out above, the Board **APPROVED** as a true record the minutes of the Action Committee held on 2 March 2021.

2446 DRAFT MINUTES OF THE HOME IN SCOTLAND BOARD ACTION COMMITTEE HELD ON 30 MARCH 2021: VARIOUS APPROVALS

The Board **APPROVED** as a true record the minutes of the Action Committee held on 30 March 2021, which approved the Dumfries and Galloway Responsive Repairs and Maintenance Contract Award, the Home Scotland 2021/22 Budget, and the Five-Year Financial Plan assumptions.

2447 ANY OTHER BUSINESS

There being no other business, the Chair declared the meeting closed.

2448 NON-EXECUTIVE MEETING REVIEW

The Chair and the non-executive Board members then moved into a short meeting review.

2449 DATE OF NEXT MEETING

Tuesday 24 August 2021, including the AGM and First Meeting after the AGM.

Signed Date