

# ITEM 3

## MELVILLE HOUSING ASSOCIATION LIMITED

### Minute of the Board Meeting held on Wednesday 29 January 2025 at 6.00 pm Hybrid Meeting - Office and Zoom Video Conference Call

**PRESENT:** Donna Bogdanovic Tom Mallatratt  
David Bond John Dalley  
Gayle Templeton Caron Quinn  
Clare Marshall

**IN ATTENDANCE:** John McMorro, Chief Executive  
Kirsten Dean, Depute Chief Executive  
Rich Murdoch, Head of Asset Management  
Jane Burnet, Head of Housing  
Dan Hughes, Communications & Corporate Services  
Manager (minute)  
Colin Turner, IT Manager (for item 4)

#### D BOGDANOVIC IN THE CHAIR

	Agenda Item Details	Action Required
1a.	<b>CHAIR'S OPENING REMARKS</b>  The Chair welcomed everyone to the meeting.	
1b.	<b>DECLARATIONS OF ANY OTHER BUSINESS</b>  <u>Noted</u> that there was no other competent business.	<b>Note</b>
1c.	<b>DECLARATIONS OF INTEREST</b>  <u>Noted</u> that declarations from Ironmills Directors were duly noted.  <u>Noted</u> no new declarations of interest.	<b>Note</b>  <b>Note</b>

	Agenda Item Details		Action Required
1d.	<b>APOLOGIES</b>  <u>Noted</u> that apologies were received from Bill Takhar and Rebecca McLean.		<b>Note</b>
2.	<b>MINUTES OF PREVIOUS BOARD MEETING 11 DECEMBER 2024</b>  2.1 <u>Noted</u> that the Chair invited the Chief Executive to lead on the minutes.  2.2 <u>Noted</u> that members agreed that these were a true and accurate minute of the above meeting. The minutes were <u>approved</u> by Donna Bogdanovic and <u>seconded</u> by Clare Marshall.		<b>Note</b>  <b>Note</b> <b>Approve</b>
3.	<b>MATTERS ARISING AND OUTSTANDING ITEMS</b>  3.1 <u>Noted</u> that the Chief Executive gave an update on matters arising and outstanding items.  3.2 The Board <u>noted</u> the contents of this report and <b>approved</b> the removal of completed items from the register.		<b>Note</b>  <b>Note/ Approve</b>
4.	<b>IT STRATEGY MID-POINT REPORT</b>  4.1 <u>Noted</u> that the IT Manager gave an update on the latest progress with the IT strategy explaining that: <ul style="list-style-type: none"> <li>▪ System security remains the number one priority and there is confidence that big improvements have been made. Basics are now done well with systems as tight as they can be.</li> <li>▪ Disaster recovery processes are working well, and testing will now be reduced from twice to once a year.</li> <li>▪ People remain the softest target however far fewer are now getting caught out by fake email testing process which continues on a monthly basis.</li> <li>▪ New housing management system Rubixx will go live in February and is expected to significantly improve the level of service for customers.</li> </ul>		<b>Note</b>

	Agenda Item Details	Action Required
	<ul style="list-style-type: none"> <li>▪ The successful implementation of the strategy is only possible thanks to cooperation from all staff.</li> </ul>	
4.2	<b>Noted</b> that there was a question about future automation in Rubixx. IT Manager said that after go live the system can be fully integrated with the repairs service and with the new phone system. He assured Board that all connections were incredibly secure thanks to API connection and that going forward systems used by all contractors would be audited more thoroughly.	<b>Note</b>
4.3	<b>Noted</b> that there were also questions about the tenant portal function in Rubixx and also about direct rent payments. The IT Manager replied that the Rubixx portal would give far more access than the somewhat limited portal Melville currently uses. However, Allpay will continue to be used for taking payments as allowing direct payments would be problematic.	<b>Note</b>
4.4	<b>Noted</b> that a question was asked about the financial impact of the current work. The IT Manager replied that there was no direct impact and that there was the additional safety net of having ActiveH available for another year as a read-only system.	<b>Note</b>
4.5	<b>Noted</b> that it was queried whether Melville has a Digital strategy separate from the IT strategy. The IT Manager responded that there is no separate Digital Strategy, but more detail will be incorporated in the IT Strategy when revisions are made.	<b>Note</b>
4.6	The Board <b>noted</b> the contents of the report and thanked the IT Manager and staff for the very positive results.	<b>Note</b>
5.	<b>ANNUAL BUDGET, RENT REVIEW AND 30 YEAR FINANCIAL PROJECTIONS</b>	
5.1	<b>Noted</b> that the Depute Chief Executive explained that she wouldn't go through the whole report but would instead	<b>Note</b>

	Agenda Item Details	Action Required
	<p>focus on the rent increase, the budget, capital spending and covenants and sensitivity analysis.</p> <p><b><i>Rent increase</i></b></p>	
5.2	<p><b><u>Noted</u></b> that on the rent increase she explained that Melville consulted tenants on options of 4.5%, 5% and 5.5%. Of the returns completed:</p> <ul style="list-style-type: none"> <li>▪ 37% would support a 4.5% increase</li> <li>▪ 8% would support a 5% increase</li> <li>▪ 7% would support a 5.5% increase</li> <li>▪ 48% were against any of the options (58% last year)</li> </ul>	<b>Note</b>
5.3	<p><b><u>Noted</u></b> that a meeting was held with tenants to discuss the findings and the impact of rents on Melville's overall financial position. Generally, those at the meeting recognized that an increase each year is needed to allow stock investment and services to continue without any change. However, they did feel their concerns around rent increases above their pay increases and other still rising costs (such as Scottish Water bills due to rise 10%) are not being taken into consideration.</p>	<b>Note</b>
5.4	<p><b><u>Noted</u></b> that in the rent survey, tenants are asked about value for money. Last year the average score was 66%, this has dropped to 62% this year. (Name redacted) used to be a key contributing factor but tenants at the meeting confirmed they are much happier with Redacted (and that was reflected in the comments).</p>	<b>Note</b>
5.5	<p><b><u>Noted</u></b> that other RSLs were consulting on anywhere from 1.7% up to 8%. Of 72 RSLs who responded to a SFHA survey, the average proposed increase was 4.4% (last year 6.4%).</p>	<b>Note</b>
5.6	<p><b><u>Noted</u></b> that this year Melville worked with the Scottish Housing Network on a Housing Affordability analysis to compare rents with peers and to look more into how rents impact different household incomes and compositions. The results showed that Melville rents compare well to peers and are affordable to a range of different household types.</p>	<b>Note</b>

	Agenda Item Details	Action Required
5.7	<b><u>Noted</u></b> that 2025/26 formed year 2 of last year's 30 year plan and the assumption was that rents would be increased by 4% then nearer 2% thereafter. Discussion redacted – commercially sensitive. A 4% increase would reduce bottom line by £53k, and 30-year cash flow by £1.9m from £75.1m to £73.1m. This £2.6m decrease is not significant across the 30 years.	<b>Note</b>
5.8	<b><u>Noted</u></b> that based on the results of our consultation, the needs of Melville, and after taking tenant feedback into account, the recommendation is to increase all rents by 4%.	<b>Note</b>
5.9	<b><u>Noted</u></b> that a lengthy discussion took place on the proposed increase. Some members felt keeping the increase as low as possible would be preferable, others felt it would be strange to deliver an increase lower than those consulted on and that there were many reasons why a minimum 4.5% increase was necessary, including the need to meet high cost future projects such as decarbonisation and development work. It was also suggested that as Melville rents are currently seen as affordable, there is room for a slightly higher increase this year and that the proposed 4.5% increase is a lot lower than last year's 7% uplift.	<b>Note</b>
5.10	Discussion redacted – commercially sensitive	<b>Note</b>
5.11	<b><u>Noted</u></b> that a vote took place and having considered all arguments, the Board agreed on a 4.5% rent increase for the coming year.  <b><i>Budget</i></b>	<b>Note</b>
5.12	<b><u>Noted</u></b> that the Depute CEO explained that the budget for the coming year is showing total income of £11.4m with a pre-FRS102 surplus of just under £1m. Included in the budget are the following key assumptions:	<b>Note</b>

	Agenda Item Details	Action Required
5.13	<ul style="list-style-type: none"> <li>4.5% rent and 2.5% service charge increase.</li> <li>16 potential new housing units for rent at site location redacted, Mayfield as an off the shelf purchase in December 2025.</li> <li>Bad debts at 1% and voids at 0.25%, both higher than current levels.</li> <li>Assumed 3.5% cost of living increase for staff (TBC).</li> <li>All other costs up by at least 5% to cover NI increases that may hit suppliers.</li> <li>£54k grant income to assist with medical adaptations.</li> <li>£14.5m CAPEX spend of which £11.2m is development related.</li> <li>Loan interest costs based on advice from our lenders and treasury advisors (4.6%).</li> </ul> <p><b><u>Noted</u></b> that the budget includes a 3.5% payroll increase assumption for 25/26 with total employment costs increasing by sum redacted. There is also budget for an Apprentice for the full year although the intention would be to get funding to cover some of this additional cost. Currently, this adds £28k to our employment costs. There is currently no intention to take on any additional staff.</p>	<b>Note</b>
5.14	<p><b><u>Noted</u></b> that other variances include:</p> <ul style="list-style-type: none"> <li>Other income - rechargeable repairs, looking to trial redacted commercially sensitive. Proposal to Board in March.</li> <li>£20k for 30<sup>th</sup> anniversary celebrations (under office costs).</li> <li>IT costs higher due to paying for both ActiveH (10 months) and Rubixx in 25/26.</li> <li>Insurance costs expected to increase by 10%.</li> <li>Fall in consultancy costs following Rubixx go-live.</li> </ul>	<b>Note</b>
5.15	<p><b><u>Noted</u></b> that Depute CEO also highlighted:</p> <ul style="list-style-type: none"> <li>Planned £14.5m spend on capital items, investing in existing stock (£3.3m) and continuing with development (£11.2m – locations redacted).</li> </ul>	<b>Note</b>

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	<ul style="list-style-type: none"> <li>Most restrictive covenant remains our financial indebtedness (loans as % of historic cost) with headroom of £20m. This is more than adequate for business needs in the coming year.</li> <li>Sensitivity testing on the budget assumptions to assess their impact such as increasing bad debts, voids, interest rates and reducing inflation.</li> </ul> <p><b>Updated 30-year plan</b></p>	
5.16	<b>Noted</b> that the Depute CEO explained that the 30-year plan has been updated for current year forecast and proposed budget and the two potential developments at locations redacted. Loan funding of £9m is assumed to support these.	<b>Note</b>
5.17	<p><b>Noted</b> that sensitivity analysis and stress testing was carried out using interest rates, inflation and bad debts.</p> <ul style="list-style-type: none"> <li>Sensitivity testing on the budget assumptions to assess their impact such as increasing bad debts, voids, interest rates and reducing inflation.</li> <li>1% increase in interest rates impacts cash by £1.8m.</li> <li>Reduction in inflation assumption (rent increase) to 1% reduces cash by £19m.</li> <li>Bad debts increasing to 4% reduces cash by £4.1m, if reduced to 2% adds £4m.</li> </ul> <p>In all scenarios covenants are met and cash flow is positive. If all there were to happen at once, it would reduce 30 year cash balance by £26m. Cash balance for Year 4 would fall below targeted £0.8m headroom following the start of higher capital loan repayments. This would be mitigated by reducing capital spend in that year. There are no concerns thereafter.</p>	<b>Note</b>
5.18	<b>Noted</b> that a discussion took place surrounding the planned maintenance budget. One member asked if this year's budget was adequate given variables and comparing it to past spending. Assurance was given based on accuracy of stock survey process, rolling programme of replacements (focusing on heating systems this year) and also the integrated asset management strategy. Furthermore,	<b>Note</b>

	Agenda Item Details	Action Required
	Rubixx has a planned maintenance module so will allow more detailed modelling going forward. When asked about the stock survey process and cloning, the Head of assets replied that no cloning was used with 20% of properties surveyed in year one and 20% in year two, covering all property types.	
5.19	<b><u>Noted</u></b> that a discussion took place on investment and risk with one member suggesting that now could be the time be bold, given the extremely healthy financial position. All agreed that Melville is in a strong position, and it was explained that ambitious projects (such as social co-housing) have been explored but haven't got off the ground so far. Members were assured that Melville will continue to look for opportunities.	<b>Note</b>
5.20	<b><u>Noted</u></b> that a question was asked about cash management with general agreement that Melville could be making money work harder. Depute CEO explained that keeping cash available had been a priority but said she would explore ways of achieving better returns.	<b>Note</b>
5.21	After review Board <b><u>approved</u></b> the proposed budget assumptions for 2025/26 and <b><u>approved</u></b> a 4.5% rent increase. They also <b><u>noted</u></b> the proposed spend of £14.5m on capital items and <b><u>noted</u></b> and <b><u>approved</u></b> the updated 30 year plan.	<b>Note/ approve</b>
<b>6.</b>	<b>GOVERNANCE REPORT</b>	
6.1	<b><u>Noted</u></b> that the Chief Executive asked members to note the following items:	<b>Note</b>
6.2	<b><u>Noted</u></b> one GDPR Breach (email chain included a comment about a former tenant). He added that Rubixx should help prevent similar breaches in future.	<b>Note</b>
6.3	<b><u>Noted</u></b> Board Development Report and recommendations (listed below)	<b>Note</b>



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	<ul style="list-style-type: none"> <li>▪ <b>Consider</b> consultant support for 2025 Board Development Appraisals.</li> <li>▪ <b>Review</b> training priorities for 2025. <ul style="list-style-type: none"> <li>○ Sustainability, Net Zero and General Refresher training – other training opportunities noted in the report.</li> </ul> </li> <li>▪ <b>Approve</b> members under 9-year rule to be eligible to stand for election. <ul style="list-style-type: none"> <li>○ Board Succession – David Bond approval to stand again as 9 year rule applies in 2025. Other two (not due to stand down in 2025) Caron and Paul.</li> </ul> </li> <li>▪ <b>Approve</b> leave of absence for one Board Member (Name redacted)</li> </ul>	
6.4	<b><u>Noted</u></b> that there was a brief discussion about the options for temporarily replacing the secretary (due to name redacted absence). It was agreed that, inline with the rules, the Chief Executive should act as stand in for the time being.	<b>Note</b>
6.5	<b><u>Noted</u></b> outcome of the 2024 Board Away Day and <b>note</b> plans for the 2025 Board Away Day event. (First Friday in October to coincide with our normal October meeting).	<b>Note</b>
6.6	<b><u>Noted</u></b> Audit Committee meeting and Internal Audit Outcomes.	<b>Note</b>
6.7	<b><u>Noted</u></b> and <b>Approve</b> scheme of Delegated Authority (two evictions) action.	<b>Note/ approve</b>
6.8	<b><u>Noted</u></b> calendar of returns.	<b>Note</b>
6.9	<b>Consider</b> 30 <sup>th</sup> Anniversary Celebrations options (await outcome of tenant satisfaction survey – note few options mentioned – please let CEO know of any suggestions).	<b>Consider</b>
6.10	<b><u>Noted</u></b> no new memberships presented.	<b>Note</b>

	Agenda Item Details	Action Required
6.11	<b><u>Noted</u></b> SHR outcomes on their consultation regarding ARC returns (new requirements are fire, electrical safety and three indicators on damp and mould).	<b>Note</b>
6.12	<b><u>Noted</u></b> Annual Assurance Statement Action Plan update.	<b>Note</b>
6.13	<b><u>Noted</u></b> that a member asked if it would be possible to review the make up of the Board papers to cut down on repetition (particularly standard regulatory information) and highlight new and important issues. The Chief Executive said he'd take on board the suggestion however attempts had been made in the past to reduce the length of reports, but it was difficult to meet everyone's needs as requirements vary from member to member. It was also pointed out that the Regulator expects all members to have read the papers in detail.	<b>Note/Action</b>
6.14	<b><u>Noted</u></b> that it was suggested that papers might contain more links to library documents in future.	<b>Note</b>
6.15	<b><u>Noted</u></b> that the Chief Executive's recently conducted annual appraisal was raised. Board members were advised to speak to the Chair if they wished to find out more.	<b>Note</b>
6.16	The Board <b><u>noted</u></b> the contents of this report and <b><u>approved</u></b> requested items.	<b>Note/ approve</b>
<b>7.</b>	<b>DEVELOPMENT UPDATE REPORT</b>	
7.1	<p><b><u>Noted</u></b> that the Head of Asset Management presented the report, explaining that:</p> <ul style="list-style-type: none"> <li>▪ Melville is in the process of temporarily providing development services to Name Redacted Housing Association. This will have minimal impact on Melville but will be a big help to the RSL. Melville has done this in the past without any issues and will strengthen relations with another RSL.</li> <li>▪ Preliminary work on new site name redacted site B is progressing well with 8 Expressions of Interest from framework contractors. The tender quality</li> </ul>	<b>Note</b>

	Agenda Item Details		Action Required
	<p>submissions will need to be assessed by a panel (towards the end of March) made up of the Development Manager, Head of Finance and Corporate services and Head of Assets plus two Board members. Nominations are needed with training provided if anyone with no prior experience would like to be involved.</p> <ul style="list-style-type: none"> <li>There is an offer on the table to purchase 16 units off the shelf from contractor name redacted. This is a new opportunity after last year's proposed sale/purchase of 11 units did not progress. At this stage we are only seeking approval to pursue this opportunity further.</li> </ul>		
7.2	<b><u>Noted</u></b> that a discussion took place surrounding the HA opportunity. It was explained that it was a temporary solution while the HA looks to recruit for their busy development programme and that the timing works well for Melville. Melville's Development Manager has carried out similar work in the past and is happy to help out.		<b>Note</b>
7.3	Board <b><u>noted</u></b> the contents of the report, approved taking the proposed site offer forward and <b><u>nominated</u></b> John Daley and Clare Marshall to the panel.		<b>Note/ Approve</b>
<b>8.0</b>	<b>CONFIDENTIAL REPORT BOARD UPDATE</b>		
8.1	<p>This confidential item is minuted separately.</p> <p>All staff except the Chief Executive &amp; Depute Chief Executive left the meeting at this point.</p>		<b>Note</b>
<b>9.0</b>	<b>REGISTERS</b>		
9.1	<p><b><u>Noted</u></b> that since the Registers were last presented to the Board the following entries have been made:</p> <p><b>Declarations of Interest</b> – 1 entry in this register (Board member Trustee of Scotmid Pension Fund).</p>		<b>Note</b>

	Agenda Item Details		Action Required
9.2	<p><b>Entitlements, Payments and Benefits</b> – 5 entries – gifts during Xmas all donated for Staff Charity Raffle.</p> <p><b><u>Noted</u></b> that there were no entries in the following registers:</p> <ul style="list-style-type: none"> <li>▪ Bribery &amp; Corruption</li> <li>▪ Fraud</li> <li>▪ Seal</li> </ul> <p><b><u>Noted</u></b> that the Acting Secretary signed the registers at the end of the meeting and members were reminded that these registers are available for review at any time and have been placed on Board Effect for consideration.</p>		<p><b>Note</b></p> <p><b>Note</b></p>
<b>10.0</b>	<b>ANY OTHER COMPETENT BUSINESS</b>		
10.1	<b><u>Noted</u></b> that there was no other competent business raised.		<b>Note</b>
<b>11.0</b>	<b>DATE OF NEXT MEETING</b>		
11.1	<b><u>Noted</u></b> that the next meeting of the Board is Wednesday 12 March 2025 at 6pm and that this will be a hybrid meeting.		<b>Note</b>
11.2	Meeting closed at 20.20.		

**Minutes Approved By:**

**Signature:**

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**12 March 2025**