

Please note – these Minutes have been edited to remove any commercially sensitive or confidential discussions

ITEM 2

MELVILLE HOUSING ASSOCIATION LIMITED

Minute of the Board Meeting held on Wednesday 7 February 2024
at 6.00 pm Hybrid Meeting - Office and Zoom Video Conference Call

PRESENT:

Donna Bogdanovic	Cathy Hanlan
Clare Marshall	Brian Wilkie
Christine Moore	Paul Cameron
Barbara Shearer	Tom Mallatratt
Bill Takhar	John Dalley
Gayle Templeton	

IN ATTENDANCE:

John McMorrow, 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)
David Todd, Property Manager (for item 8)
Colin Turner, IT Manager (for items 4 & 5)

D BOGDANOVIC IN THE CHAIR

	Agenda Item Details	Action Required
1a.	<p>CHAIR'S OPENING REMARKS</p> <p>The Chair welcomed all to the meeting extending an especially warm welcome to new Board member Gayle Templeton and to Head of Finance Kirsten Dean, recently returned from maternity leave.</p> <p>Noted that the Chair requested a change in the order of business to allow staff to leave before confidential reports are discussed. New running order will be items 1 to 5, followed then by 8,9 and 11 thereafter 6 onwards.</p>	Note

	Agenda Item Details	Action Required
	<p><u>Noted</u> that the Chair requested an extension of standing orders beyond the usual 8pm finish time due to the weighty agenda. Board <u>approved</u> this extension.</p>	Note Approve
1b.	<p>DECLARATIONS OF ANY OTHER BUSINESS</p> <p><u>Noted</u> that there was no other competent business.</p>	Note
1c.	<p>DECLARATIONS OF INTEREST</p> <p><u>Noted</u> that declarations from Ironmills Directors were duly noted.</p> <p><u>Noted</u> one possible new declaration of interest. One Board member has a colleague on the Board of (redacted).</p>	Note
1d.	<p>APOLOGIES</p> <p><u>Noted</u> that apologies were received from Caron Quinn, David Bond and Rebecca McLean.</p>	Note
2.	<p>MINUTES OF PREVIOUS BOARD MEETING 13 DECEMBER 2023</p>	
2.1	<p><u>Noted</u> that the Chair invited the Secretary to lead on the minutes.</p>	Note
2.2	<p><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 Paul Cameron.</p>	Note Approve
3.	<p>MATTERS ARISING AND OUTSTANDING ISSUES</p>	
3.1	<p><u>Noted</u> that the Chief Executive highlighted that the following item had been completed and sought approval for its removal from the report:</p> <ul style="list-style-type: none"> ▪ Transgender policy for staff, reviewed and amended by the Equalities Network 	Note

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3.2	The Board <u>approved</u> this policy.	Approve
3.3	The Board <u>noted</u> the contents of this report and <u>approved</u> removal of the above items from the report.	Note Approve
4.	IT STRATEGY MID-POINT REPORT	
4.1	<p><u>Noted</u> that the IT Manager gave an update on disaster recovery testing (in the event of a cyber-attack) reporting that:</p> <ul style="list-style-type: none"> ▪ The first disaster recover testing was completed in December 2023. Our target (RTO) is to have full access to all systems within 24 hours of a complete failure. ▪ Our Recovery Point Objective (RPO) is 12 hours, the maximum age of a backup that is used to restore our systems. ▪ The test was extremely successful with the RPO being met and the RTO taking only 30 minutes (systems were fully available within this time) from a data centre (located in South East England with a second back up in Wales) geographically distant from our live operating environment. 	Note
4.2	<p><u>Noted</u> that a discussion took place about the testing and the security of the back-up systems. The IT Manager reported that it's a big improvement on the previous system and assured members that it's as good as it's possible to get. He said that in future the test would be carried out annually without any interruption of service to staff.</p>	Note
4.3	<p><u>Noted</u> that the IT Manager was asked why a small number of staff hadn't engaged (80% engagement reported) and whether it was because they weren't using the new systems. He replied that no this wasn't the case. There would always be some staff who didn't engage for their own reasons, but they still used the systems. He finished by saying that the only reason the work had gone so positively was because of support from staff.</p>	Note

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4.4	The Board noted the contents of the report and thanked the IT Manager for the work he'd done on it.	Note
5.	REVIEW OF HOUSING MANAGEMENT SYSTEM	
5.1	Noted that the IT Manager gave an update on the work done looking at options for the Housing Management system. He explained that a staff group had recently visited Kingdom Housing in Fife to see proposed new system (Name Redacted) working in a live environment and that he'd also spoken to (Name Redacted) Housing about their experience changing systems. Unfortunately, their new provider, Name Redacted, missed Melville's deadline. He said that the biggest takeaway from (Name Redacted) was the importance of allowing sufficient staff time and resources as trying to carry out a huge project like this alongside day-to-day work put enormous strain on staff and systems.	Note
5.2	Noted that the IT Manager was asked why there were only the three suppliers on the list. He replied that originally there had been 4 but one (Name Redacted) had failed to respond in time and went on to explain that it was a fairly small market with larger legacy providers tending to buy up many of the smaller ones. Pre-procurement had shown these larger suppliers to be expensive and offer a product that is not ideal therefore going out to public tender would not have been helpful.	Note
5.3	Noted that the IT Manager explained that a rigorous SWAT analysis showed that by switching to (Name Redacted) savings can be made in both time and money as we move away from current bolt-on systems and spreadsheets. It's also hoped that moving to a web-based system will help support our customer excellence journey.	Note
5.4	Noted that the IT Manager was asked about the notice period with the current provider. He explained that the contract would run until December 2025 to allow	Note

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5.5	<p>implementation of the new system with plenty of wriggle room. At this early stage the hope is to go live with the new system, if approved, next spring (2025).</p> <p>Noted that the IT Manager was asked about the risk in moving to a new system with a relatively untested supplier. He agreed that there were risks involved but none that sounded alarm bells and that the opportunities outweighed the risks. He said that the new system would also be much better for data management and as well as being the lowest priced of the systems looked at, it also provided the best solution. When asked if there was a danger of a big price increase in two to three years' time, he replied that this was a risk but the SHED framework agreement (used in the process so far) offered some assurance and in any case the risk was no greater than with other providers. He finished by saying that the only way of guaranteeing prices was to enter into longer term contracts.</p>	Note
5.6	<p>Noted that the Head of Housing was asked her views following the demonstration at Kingdom. She replied that while (Name Redacted) weren't using all the functions (repairs and income analytics being two) all staff who visited had been impressed with the system's flexibility, and particularly with the CRM feature. She added that the intention would be to eventually replace existing (Name Redacted) tool with the analytic function in (Name Redacted) but this would take time and for a while the two systems would run in tandem.</p>	Note
5.7	<p>Noted that the IT Manager explained that the funds allocated in the budget for the implementation of the new system are an estimate based on conversations with (RSL Name Redacted).</p>	Note
5.8	<p>The Board noted the contents of the report and approved the switch to a new housing management system.</p>	Note/ approve

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5.9	Noted that the Chair then requested that in future the Board has greater involvement at an earlier stage in big contracts such as those discussed at this meeting.	Note
5.10	Noted that the IT Manager mentioned that (System Name Redacted) was being retired in its present form in December (2024) and said he'd send round a survey to Board members to find out their preferences and requirements before recommending a replacement.	Note
8.	REPAIRS & MAINTENANCE TENDER REPORT Item Redacted Commercially Sensitive.	
9.	ASSET MANAGEMENT STRATEGY	
9.1	Noted that the Head of Asset Management presented the asset management strategy principles, explaining that Melville intends to adopt the Regulator's (voluntary) approach which scores each asset by component. A prototype is currently under development which will rank assets and while we may continue to invest in some that are not economically viable, we will be better informed to make these decisions.	Note
9.2	Noted that a discussion took place surrounding this new direction. The Head of Assets said that Melville is currently leading the way on this although there will be others in England taking a similar approach. He explained that the life cycles of items (kitchens, bathrooms etc) came from the English Decent Homes Standard and that location and size of property were important factors in the rankings. More desirable property types and more desirable locations equalled a higher ranking. This was reflected in the traffic light system employed.	Note
9.3	Noted that the Head of Assets went on to explain that this new way of reporting will influence future development strategies as it will highlight the best performing property	Note

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	types and the most desirable areas. It was also pointed out that it will give confidence to funders.	
9.4	Noted that Audit Scotland has estimated that currently there isn't enough money for the Scottish Government to phase out fossil fuels in the near future and that we expect gas boilers to remain for the time being.	Note
9.5	Noted that it was put to the Head of Assets that it would be good to look at all assets owned by the organisation, not just homes. This would include things like the Corn Exchange and garages etc. The Head of Assets agreed but said that wouldn't happen immediately however would be included over time.	Note
9.6	Board noted and approved the asset management strategy principles for 2024/25.	Note/ Approve
11.0	Item Redacted Commercially Sensitive. All staff except the Chief Executive & Depute Chief Executive left the meeting at this point.	
6.	ANNUAL BUDGET & RENT REVIEW REPORT	
6.1	Noted that the Depute Chief Executive gave an overview of the proposed draft budget for the period 2024/25.	Note
6.2	Board reviewed and noted the following key elements for this budget as reported: <ul style="list-style-type: none"> ▪ Proposed minimum rent increase of 6% ▪ Increase of 39 new build units by October 2024 ▪ Budget links to corporate strategy objectives ▪ Budget links to key regulatory risks identified by the Scottish Housing Regulator ▪ Responses to the rent consultation ▪ Budgeted surplus of £0.33m ▪ Void levels assumed at 0.25% ▪ Bad debt forecast of 1.5% 	Note

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	<ul style="list-style-type: none"> ▪ Bad debts for rechargeable items at 65% ▪ Capital improvements of £2.1m ▪ Overall capital maintenance spend of £5.2m ▪ Overhead expenditure of £5.1m ▪ Employment costs increasing by £82,000 ▪ Overview of current loans of £32m ▪ Development programme spend of £2.3m ▪ Income on deposits of 3% ▪ Variable loan costs of 5.2% 	
6.3	<p>These elements outlined in the draft budget report were duly <u>noted</u>.</p>	Note
6.4	<p>Board <u>noted</u> the Rent Consultation Report (appendix 2) circulated with the papers that outlined the following:</p> <ul style="list-style-type: none"> ▪ 398 (20%) responses – highest to date ▪ 21% favoured 6% ▪ 11% favoured 7% ▪ 10% higher than 7% ▪ 58% none of the options 	Note
6.5	<p>There were also positive conversations with the tenant rep group – who noted the lower than average rent increases over the preceding years and increasing costs in areas such as repairs.</p>	
6.6	<p>Board <u>noted</u> and <u>approved</u> plans to undertake further value for money and rent affordability assessments during the year.</p>	Note Approve
6.7	<p>Board <u>noted</u> the various sensitivity and risk analysis as follows:</p> <ul style="list-style-type: none"> ▪ Loan interest increasing to 6.2% ▪ Bad debts increasing by a further 1% ▪ Inflation costs on overheads increasing to 10% ▪ Void costs increasing to 0.5% ▪ Rental income from new build being delayed 	Note

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6.8	Board noted that all loan covenants are met, and our most restrictive covenant of financial indebtedness has headroom of £24m.	Note
6.9	<p>Noted that various questions were discussed at the meeting as follows:</p> <p>Prudent assumptions for bad debt provision included but it was queried whether this should be presented as actual with a line in the accounts for contingencies. It was reported that management accounts will outline actuals and this idea could be examined for future budgets.</p> <p>What level of inflation was applied to Mid-Market Rents – 3% as three months’ notice applied.</p> <p>There is a 30% increase on reactive maintenance – it was reported this was not restricted to the costs associated with the new repair’s contractor. A detailed analysis will be issued to the individual Board member.</p> <p>What is the impact of a 6% increase on rents – average rent increase of £5.40 per week, circa £25 per month.</p> <p>Would monthly accounts be available – staff monitor spend each month and Board receive quarterly management accounts which is deemed sufficient.</p>	Noted
6.10	Noted that Board agreed that affordability rent review will be more crucial given the proposed increase is higher than normal.	Note
6.11	Development Programme – noted that only confirmed projects are contained and that an analysis would be presented if any new projects become available or more realistic to be delivered.	Note
6.12	Noted that Board considered the budget assumptions alongside the proposed minimum rent increase of 6% to achieve the budget assumptions.	Note

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6.13	<u>Noted</u> that Board considered the rent increase and determined that 7% would be the preferred rent increase to allow flexibility in the budgets and to increase the budget surplus by circa (redacted sum).	Note
6.14	After review Board <u>approved</u> the proposed budget assumptions for 2024/25 with an amendment to the rent increase from 6% to 7% to be applied.	Approve
6.15	<u>Noted</u> that meeting closed at 21:05 and it was <u>agreed</u> to hold an additional meeting on the 21 February to conclude the agenda items which could not be considered.	Note Approve

Minutes Approved By:

Signature: _____

13 March 2024