

Regulation Plan

This Regulation Plan sets out the engagement we will have with Melville Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Melville Housing Association became a registered social landlord (RSL) following an initial stock transfer from Scottish Homes in 1995 and now owns around 1800 housing units. It has charitable status and employs 34 people. It has one non registered subsidiary, Ironmills Developments Ltd. Its turnover for the year ended 31 March 2010 was £6.3 million.

It plans to grow through its development programme and receives considerable government subsidy in the form of housing association grant (HAG) to part-fund this. Melville has also been formally appointed as the preferred partner for Midlothian, together with its RSL partners, to deliver the affordable housing investment programme for a three year period from April 2011.

Melville submitted additional business planning information to us in 2010 to enable us to review its overall financial viability and capacity in light of its investment and development activity. This provided us with reassurance about its overall strategic and financial management. However in light of its development and investment activities we will continue to require updated business and financial information from Melville.

As part of our annual performance and statistical return (APSR) verification process in 2009, we reviewed Melville's information and found significant shortcomings. Melville has responded positively to our feedback and we are satisfied that it now reports information accurately. In its 2009/10 APSR Melville reported deterioration in its repairs performance which we understand was as a result of the changes in reporting practice. Melville has appointed a new reactive repairs contractor during 2010 and is working closely with the contractor to ensure that future performance improves.

Our engagement with Melville Housing Association – Medium

1. In light of its significant development investment and subsidiary activities we will continue to need additional business planning information from Melville to assess its ongoing financial capacity and viability. This information will include updated versions of its business plan, scenario planning and sensitivity analysis of its key business planning assumptions and full 30 year projections that demonstrate that it will continue to be viable and meet its lenders covenants and its development obligations. Melville will provide us with its new business plan in Summer 2011
2. Melville should also send us the unregistered subsidiary's business plan to fully understand its contribution to, and impact on, the RSL
3. We will check progress on Melville's repairs performance during our engagement with them about their business plan.

4. Melville should continue to alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
- audited annual accounts and external auditor's management letter
 - loan portfolio return
 - five year financial projections
 - annual performance and statistical return

This plan will be kept under review and may be changed to reflect particular or new events. The engagement strategy set out in this plan does not restrict us from using any other form of regulatory engagement to seek additional assurance should the need arise. Our guides to how we regulate and inspect, and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Melville HA is:

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We have decided what type of engagement we need to have with this organisation based on information it provided to us. We rely on the information given to us to be accurate and complete, but we do not accept liability if it is not. And we do not accept liability for actions arising from a third party's use of the information or views contained in the Regulation Plan.