

Melville Housing Association Ltd

4 April 2012

This Regulation Plan sets out the engagement we will have with Melville Housing Association Ltd during the financial year 2012/2013. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Melville became a registered social landlord (RSL) following an initial stock transfer from Scottish Homes in 1995 and now owns around 1851 houses. It has charitable status and employs 36 people. It has one non registered subsidiary, Ironmills Developments Ltd. Its turnover for the year ended 31 March 2011 was just under £6.5 million.

Melville plans to grow through its development programme and receives considerable government grant to part-fund this. It 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 the additional business plan information for 2011/12 was delayed. Due to its development and investment activities and the associated risks we will continue to require updated business and financial information from Melville.

Melville's treasury management arrangements include free-standing derivatives (FSDs) and we will liaise with it to gain assurance about any effect that these might have on its financial position.

All RSLs sent us a review of their progress in meeting the Scottish Housing Quality Standard (SHQS) by 2015. We reviewed Melville's return and given the profile of its programme for delivering the standard we would like further assurance about its ability to meet the standard for all of its stock by the target timescale.

Melville appointed a new reactive repairs contractor during 2010 and has been working closely with the contractor to ensure that its repairs performance improves. Its APSR return for 2010/11 showed that its performance for both emergency and non emergency repairs were poor compared to the rest of the sector. However it provided us with updated performance information during the second half of 2011 that showed performance had improved and was close to target. We will review Melville's performance after the 2011/12 APSR return.



Our engagement with Melville Housing Association – Medium

We will continue to have medium engagement with Melville about its overall financial capacity and viability in light of its development, investment and subsidiary activities.

1. Melville will send us:
 - business planning information including its updated business plan, scenario planning, sensitivity analysis of its key business planning assumptions, full 30 year projections with cashflows, and covenant calculations in August 2012;
 - copies of its board reports that monitor progress with FSDs at the end of May 2012; and
 - the business plan for its unregistered subsidiary including financial projections and sensitivities by the end of June 2012.
2. We will discuss Melville's progress towards achieving SHQS by 2015 after we receive its progress report at the end of June 2012 and meet with it, we may ask for further information to get assurance on the level of progress.
3. We will check progress on Melville's repairs performance when we receive the 2011/12 APSR return in June 2012 to get assurance that its routine repairs performance continues to improve.
4. Melville should 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; and
 - 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 regulatory framework and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Melville 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.