

## Melville Housing Association Ltd

**28 March 2013**

This Regulation Plan sets out the engagement we will have with Melville Housing Association Ltd (Melville) during the financial year 2013/14. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Melville was registered as a social landlord in 1994. It owns and manages 1,851 houses across 6 local authority areas with the majority of its houses (1,778) in Midlothian. It has charitable status and employs around 32 people. It has one non-registered subsidiary Ironmills Developments Ltd. Its turnover for the year ended 31 March 2012 was just over £7 million.

Melville has received significant amounts of public funding to help it fund its new build programme for social rent and low cost home ownership. It continues to have a programme to develop new homes. In 2012 it developed its first properties for mid market rent, let through its subsidiary.

We have reviewed Melville's financial returns and financial projections and received assurance about its financial management including its treasury management arrangements which involve the use of free standing derivatives.

Given the scale and nature of Melville's development programme and funding arrangements we need to stay informed about its business including its projections, subsidiary activities, use of free standing derivatives and its plans to manage the impact of welfare reform.

### **Our engagement with Melville – 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. In quarter two of 2013/14 Melville will send us:
  - 30 year projections, consisting of income and expenditure statement, balance sheet and cash flows, plus sensitivity analysis and covenant calculations and results; and
  - the business plan and projections for its subsidiary including income and expenditure statement, balance sheet and cash flows, plus sensitivity analysis and covenant calculations and results.
2. In quarter three Melville will send us:
  - the management accounts for its subsidiary to 30 September 2013; and
  - details of its plans to manage the impact of welfare reform including the impact on income, costs and assumptions for arrears and bad debts.

3. Melville will send us copies of:
  - the reports to its board on free standing derivatives; and
  - copies of its derivatives contracts and treasury management policy in quarter one of 2013/14.
  
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](http://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.