



Llywodraeth Cymru
Welsh Government

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Welsh Government Housing Regulation

Regulatory Opinion

Melin Homes – L110

June 2016

The Welsh Ministers have powers under Part 1 of the Housing Act 1996 to regulate Registered Social Landlords in relation to the provision of housing and matters relating to governance and financial management.

The Welsh Ministers are publishing this Regulatory Opinion under sections 33A and 35 of the Housing Act 1996.

The opinion is published in accordance with the Regulatory Framework for Registered Social Landlords in Wales 2011 and the related performance standards.

<http://gov.wales/topics/housing-and-regeneration/services-and-support/regulation/regulatory-framework/?lang=en>

In Wales, these standards are known as “Delivery Outcomes” and relate to governance, financial management and landlord services. The opinion is based upon the Association’s own evaluation of its effectiveness

http://www.melinhomes.co.uk/assets/files/download/Melin_Self-evaluation_2015-16.pdf together with regulatory Intelligence gained through on-going, co-regulatory, relationship management between the Regulator and the Association.

Basis of Opinion

This opinion is designed to provide the Registered Social Landlord, its tenants, service users and other stakeholders with an understanding of its financial viability and how well it is performing, at a specific moment in time, in relation to:

- Governance
- Financial Management
- Landlord Services

The opinion must not be relied upon by any other party for any other purpose. The Registered Social Landlord is responsible for the completeness and accuracy of information provided to the Regulator.

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Profile

Melin Homes Limited (Melin Homes) is a registered social landlord which was established in 2007. The Association is registered under the Co-operative and community Benefit Societies Act 2014 and has charitable rules.

The Association owns and manages 3999 homes, providing 3400 general needs homes and supported housing places, 571 shared equity/ownership/leasehold homes and 28 commercial properties. It operates in 5 local authority areas; Torfaen, Monmouthshire, Newport, Blaenau Gwent, and Powys.

During 2014 Melin Homes set up an unregistered subsidiary, nowyourhome, which will act as its development agent for properties developed for sale.

Melin Homes built 123 new homes during 2015/16 and is committed to building 194 new homes by the end of March 2017.

For the year ending 31 March 2015, the Association's turnover was £38.9m (2014: £36.7m), its retained surplus was £1.7m (2013: £1.0m) and it employed 219 staff (2014: 213).

£16.2m (2014: £13.8m) of turnover relates to the ARBED project, a scheme to improve the energy efficiency of homes. ARBED 2 is funded jointly by the European Regional Development Fund and Welsh Government.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2013/14	2014/15		
Performance				
Operating Surplus as % of Turnover	10.7%	12.4%	n/a	19.40%
Surplus transferred to Reserves as % of Turnover	5.0%	3.1%	n/a	9.00%
Loss from empty properties and uncollected rent as % of Turnover	1.9%	1.7%	n/a	2.70%
Funding				
Fixed Borrowing as a % of Total	54%	64%	n/a	72%
Gearing	54%	50%	60%	58%
Interest Cover	257%	294%	110%	147%
Current cash balances and undrawn facilities are sufficient for the next 9 months and enable the Association to complete its committed development program.				

Regulatory Opinion

In 2015, Melin Homes completed its annual governance review and adopted Community Housing Cymru's Code of Governance.

The Association's governance and approach to co-regulation is effective. The senior management team works well with the Board and new Board members are recruited in accordance with the Board skills matrix.

The current Business Plan 2016-2021 shows Melin operating close to the Gearing covenant limit for the next 2 years, before being exceeded in 2018/19. This position is being closely monitored by the Association.

Tenant involvement has been a recent focus for Melin and the elected Residents Panel has an active role in scrutinising the Association's performance and commissions reviews which are carried out by the Customer Service Group. Melin's policy development process requires formal consultation with tenants when significant changes to services are being considered and the results of the consultation are published.

Melin's Board have approved and published its self evaluation. Self evaluation is developing as a core tool for business planning with team and personal plans directly linking to the evaluation which is updated and reported to the audit and risk committee regularly. Stakeholder engagement in the self evaluation and business planning process needs to be improved as there is little evidence opportunity for early involvement and challenge.

Tenant satisfaction across a range of service measures is improving and compares well with peer group organisations in Wales and England. Melin has however set challenging targets to improve all measures to peer group upper quartile by 2018/19 and can demonstrate it prioritises service improvements based on evidence from tenants.

Whilst there has been some progress in improvements to Melin's approach to equalities and diversity, the Association is expected to make further significant progress in addressing these issues over the coming months.

Regulatory Assurance

The areas set out below have been identified as requiring further regulatory assurance that the Association is achieving the expected standards of performance (Delivery Outcomes). Assurance will be secured through ongoing regulatory engagement with the Association.

This is an exceptions report. Areas of performance not referred to specifically are considered to be appropriately managed at this time. This opinion may change as circumstances change. We intend to issue a revised regulatory opinion at least annually, but may also do so at any time to reflect any significant changes in the organisation's performance.

Governance and Financial Management

Governance

Areas requiring further regulatory assurance:

- **Ongoing compliance with Community Housing Cymru's Code of Governance**
http://chcymru.org.uk/uploads/events_attachments/Code_of_Governance.pdf

- **Further improvements in the approach to equalities monitoring and reporting to ensure services are provided free from discrimination and reflect the diversity of local communities. The improvements must include a robust approach to assessing the impact of key policies and strategies**
- **Outcomes achieved from implementing the recently approved Value for Money Strategy, 2016-18**
- **Improving stakeholder engagement in self evaluation and business planning**
- **Development of an effective approach to strategic asset management incorporating a robust understanding of asset performance to evidence investment decisions**

Financial Viability

Our judgement of the Association's financial viability remains unchanged from last year. As at June 2016, the judgement is

Pass

The Association has adequate resources to meet its current and forecasted future business and financial commitments.

Areas requiring further regulatory assurance:

- **Monitoring of the Gearing covenant in the short to medium term.**
- **Implementation of the Association's treasury management strategy.**
- **Stress testing of the underlying assumptions in the 30 year forecast and evidencing the mitigating actions available to the Association should they be required.**

Landlord Services

Areas requiring further regulatory assurance:

- **Implementation and monitoring of corporate service standards, intended to improve accountability for the quality of core services which are due to be fully introduced in September 2016**