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Welsh Government

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Welsh Government Housing Regulation

Regulatory Judgement

Melin Homes – L110

October 2018

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 Judgement under sections 33A and 35 of the Housing Act 1996.

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

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

The judgement is based upon the Association's own evaluation of its compliance with the performance standards together with regulatory intelligence gained through on-going, co-regulatory, relationship management between the Regulator and the Association.

Basis of Judgement

This judgement 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 and Service Delivery
- Financial Management

The judgement 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 (“Melin” or “the Association”) 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 4,139 homes, providing 3,453 general needs homes and supported housing places, 625 shared equity/ownership/leasehold homes and 61 commercial properties. It operates in five local authority areas; Torfaen, Monmouthshire, Newport, Blaenau Gwent and Powys.

During 2014, Melin set up an unregistered subsidiary; Candleston, which acts as its development agent for properties developed for sale.

Melin built 121 new homes during 2017/18 and is committed to building 202 new homes by the end of March 2019. For the year ending 31 March 2018 the Association’s turnover was £23.8m, its total comprehensive income was £1.05m and it employed 260 staff.

Key Financial Data

| | Historical Data | | Covenant Limit | Sector Average |
|--|-----------------|---------|----------------|----------------|
| | 2016/17 | 2017/18 | | 2016/17 |
| Performance | | | | |
| Operating surplus as % of turnover | 21.1% | 21.5% | n/a | 21.3% |
| Surplus/(deficit) for the year as % of turnover | 13.7% | 12.0% | n/a | 6.5% |
| Loss from empty properties and uncollected rent as % of rental income | 1.9% | 1.5% | n/a | 2.0% |
| Funding | | | | |
| Fixed borrowing as a % of total | 67% | 79% | n/a | 74% |
| Gearing | 35% | 31% | 43% | 44% |
| Interest cover | 170% | 195% | 110% | 172% |
| Current cash balances and undrawn facilities are sufficient for the Association to complete its current committed development programme. | | | | |
| Gearing covenant limit is currently being renegotiated. | | | | |

Regulatory Judgement – Co-Regulation Status

Co-Regulation Status – October 2018

Governance and Services - Standard

- Identifies and manages new and emerging risks appropriately.

Financial Viability - Standard

- Meets viability requirements and has the financial capacity to deal with scenarios appropriately.