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Welsh Government Housing Regulation

Regulatory Judgement

Family Housing Association – L002

December 2017

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

Family Housing Association (“Family” or “the Association”) is a Registered Social Landlord which was established in 1975. It is registered under the Co-operative and Community Benefit Societies Act 2014 with charitable rules.

The Association owns and manages 2,788 homes, including 375 sheltered homes, 317 extra care homes and 154 supported homes. It operates in Swansea, Carmarthenshire, Neath Port Talbot, Pembrokeshire and Ceredigion local authority areas.

For the year ending 31 March 2017, the Association’s turnover was £19.9m (2016: £19.2m). Its surplus (after tax) was £1.1m (2016: £1.3m) and it employed an average of 259 staff (2016: 258).

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2015/16	2016/17		
Performance				
Operating surplus as % of turnover	29.4%	28.6%	n/a	19.1%
Surplus for the year as % of turnover	6.6%	5.5%	n/a	8.7%
Loss from empty properties and uncollected rent as % of rental income	2.8%	3.7%	n/a	1.6%
Funding				
Fixed borrowing as a % of total	96%	96%	n/a	74%
Gearing	60%	60%	65%	68%
Interest cover	120%	123%	110%	153%
Current cash balances and undrawn facilities are sufficient for the Association to complete its committed development programme.				

Regulatory Judgement – Co-Regulation Status

Co-Regulation Status – December 2017

Governance and Service Delivery - Increased

- A risk or combination of risks are presenting a significant challenge to the RSL and increased regulatory oversight is required.

Financial Viability - Increased

- Meets viability requirements but has limited financial capacity to deal with adverse scenarios effectively and increased regulatory oversight is required.

Increased regulatory oversight is required to meet the following performance standards:

PS 1.0 Effective Board and executive management with a clear and ambitious vision for the Association

- Governance arrangements establish and maintain clear roles, responsibilities and accountabilities for the Board, Chair and Chief Executive and ensure appropriate probity arrangements are in place.

PS 2.0 Effective and appropriate tenant involvement and high quality and improving landlord services

- Demonstrates how tenants are effectively involved in strategic decision making and shaping services in ways appropriate for tenants and the organisation.

PS 3.0 Comprehensive assessment of the business impacts of current and emerging risks, including new business and development opportunities, with robust risk management arrangements

- Carries out detailed and robust stress testing of financial plans against a range of scenarios, identifying appropriate mitigation strategies.

PS 8.0 A financial plan which delivers and supports the business plan and effective monitoring of financial performance

- Ensures that the organisation is financially sound.

PS 9.0 Effective management of treasury operations ensuring sufficient liquidity at all times

- Ensures financial forecasts are based on appropriate and reasonable assumptions.

PS 10.0 A clear understanding of liabilities and asset performance

- Ensures that publicly funded homes meet the standards set out in the Welsh Housing Quality Standard.

