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Welsh Government Housing Policy – Regulation

Regulatory Opinion

Family Housing Association – L002

January 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.fha-wales.com/media/137334/Family-Housing-Self-Evaluation-2016-Website.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

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 around 2,600 homes, including 370 sheltered homes, 270 extra care homes and 170 supported homes. It operates in Swansea, Carmarthenshire, Neath Port Talbot, Pembrokeshire and Ceredigion local authority areas.

For the year ending 31 March 2015, the Association’s turnover was £17.2m (2014:£16.5m). Its retained surplus was £55k (2014: £215k) and it employed an average of 221 staff (2014: 223) on a full time equivalent basis.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2013/14	2014/15		2013/14
Performance				
Operating Surplus as % of Turnover	23.8%	25.3%	n/a	19.1%
Surplus transferred to Reserves as % of Turnover	1.3%	0.3%	n/a	9.4%
Loss from empty properties and uncollected rent as % of Turnover	2.1%	4.0%	n/a	3.0%
Funding				
Fixed Borrowing as a % of Total	100%	96%	n/a	60%
Gearing	64%	63%	65%	57%
Interest Cover	101%	102%	100%	145%
Current cash balances and undrawn facilities are sufficient for the Association’s needs				

Regulatory Opinion

Family has faced many challenges since its last published regulatory assessment (August 2012), resulting in much pressure on its governance. Regulatory intervention has seen some very significant changes at senior staff and Board level over the last 18 months, such as a new Chief Executive, Heads of Service stepping up to form a new senior management team and the renewal of the whole Board.

Much positive progress has been made, including the development of a framework for good governance. Enhancements to many of Family’s services have been implemented and tenants indicate good and improving levels of satisfaction with its services overall.

The organisation recognises that further improvements are needed and there are more challenges ahead. Family is working to finalise its Business Plan and has embarked on a comprehensive appraisal of its options for the future.

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 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:

- Continue implementation of the governance action plan, developed to address areas of non-compliance following formal assessment against Community Housing Cymru's Code of Governance
http://chcymru.org.uk/uploads/events_attachments/Code_of_Governance.pdf
- Agreement of the Business Plan, to provide strategic and financial focus
- Completion of a comprehensive and robust options appraisal, evaluating the organisation's options for the future and decision on, and progressing of, a preferred option
- Continued focus on development of effective working relationships between the Executive and Board, and within the Board membership, to enable effective governance
- Completion and implementation of the revised self evaluation process, currently under development, to ensure it supports business planning through robust review of business outcomes
- Continue the roll out of the leadership development programme to support change management and improve skills
- Continue improvements to the structure and effectiveness of tenant participation, to ensure tenants are at the heart of the business and decision making
- Further assurance regarding the quality of organisational culture and staff morale, to support delivery of future priorities
- Development of a comprehensive organisation-wide approach to value for money
- Continue effective implementation of the revised risk management strategy by Board and across the whole organisation, to support identification and management of risks at all levels
- Continue development of a strategic and planned approach to asset management, using a robust understanding of asset performance to inform evidenced decision making
- Continued development of preparedness to respond to the challenges posed by the rolling out of Universal Credit, to mitigate the risks posed to tenancy sustainability and rental income

Financial Viability

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

- **Pass with closer regulatory monitoring**

The Association has adequate resources to meet its current and forecasted future business and financial commitments. There are one or more areas which require further regulatory monitoring to ensure risks are sufficiently managed.

Areas requiring further regulatory assurance:

- **Continued scrutiny of the financial position of the Association due to the limited headroom above the interest cover covenant**
- **Continue monitoring of efficiencies in cost base and resultant impact on the Business Plan**
- **Continue development of mitigating strategies in response to stress testing scenarios undertaken on the 30 year forecast**
- **Continued effective scrutiny of delivery and lettings of new developments to ensure that income projections are met**

Landlord Services

Areas requiring further regulatory assurance:

- **Follow up tenant survey, to gain a robust, up to date perspective on tenant satisfaction with services**
- **Further reduction of the turn around times for vacant properties, to improve the allocations service to new tenants and reduce the impact on rental income for the Association**
- **Continue to progress the increased wider tenant involvement in shaping and reviewing services to improve representation of local communities**
- **Development with tenants of service standards, to promote accountability for the quality of services**