



[www.gov.wales](http://www.gov.wales)

# Welsh Government Housing Regulation

Regulatory Opinion

Family Housing Association Limited – L002

December 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.

Housing Regulation Team  
RSL Sector Development and Regulation Division  
Welsh Government  
Merthyr Tydfil Office  
Rhydycar  
CF48 1UZ  
e-mail: [housingregulation@wales.gsi.gov.uk](mailto:housingregulation@wales.gsi.gov.uk)

## 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 2,780 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 2016, the Association’s turnover was £19.2m (2015: £18.0m). Its surplus (after tax) was £1.3m (2015: £0.4m) and it employed an average of 259 staff (2015: 262).

## Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2014/15 Restated	2015/16		2014/15
<b>Performance</b>				
Operating Surplus as % of Turnover	26.3%	29.4%	n/a	19.4%
Surplus (after tax) for the year as % of Turnover	2.2%	6.6%	n/a	9.0%
Loss from empty properties and uncollected rent as % of Rental Income	2.9%	2.8%	n/a	2.7%
<b>Funding</b>				
Fixed Borrowing as a % of Total	96%	96%	n/a	72%
Gearing	63%	60%	65%	58%
Interest Cover	110%	120%	100% *	147%
* Reduced from 110% until March 2017 Current cash balances and undrawn facilities are sufficient for the Association to complete its committed development program.				

## Regulatory Opinion

Our judgement of the Association’s **financial viability** remains unchanged from last year. As at December 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.

The interest cover covenant with the principal funder remains very tight in the short to medium term. This leaves the Association vulnerable to adverse changes in its operating environment and restricts its future business opportunities. Family needs to do further work on modelling the impact of the Local Housing Allowance housing benefit cap, to determine the significance it will have for the Association, then develop and implement an appropriate action plan to address such.

Family has experienced a period of significant transition since its last published Regulatory Opinion (January 2016). Following the decision to remain as an independent organisation, the Board appointed a permanent Chief Executive and recruited a number of new Board members, who now need to fully embed to ensure its governance is effective. The recent appointment of two Executive Directors intends to strengthen the Association's leadership team, support the on-going cultural changes and provide visionary drive.

Community Housing Cymru's Code of Governance has been fully adopted, with regular evaluation of ongoing compliance. A much improved self evaluation process and cycle has also been implemented, along with effective quarterly reporting through Board and tenant assurance frameworks. Sound co-working between staff, tenants and Board is evident via change management teams; the effectiveness of which is to be reviewed.

Family has identified areas for continued organisational development, which require implementation to embed the Association's values and improve staff culture and morale. This includes the continued rolling out of the recently approved strategic communications action plan.

Tenants are involved at a strategic level and the Association's Tenant Scrutiny Panel has been effective in reviewing and recommending areas for improvement. The role and support of the Tenant Panel now needs to be reviewed and clarified, along with wider tenant engagement opportunities, to underpin the cultural shift towards mainstreaming of tenant engagement which is needed.

Delays with several significant development schemes delivered and bringing properties into full occupancy in the new extra care schemes needs to be addressed, to minimise the negative impact on Family's income streams. The Association has undertaken an analysis of its asset performance, which it now needs to inform a strategic and planned approach to asset management.

Turnaround times for vacant properties needs to be further reduced, despite the pilot of revised systems to improve performance in this area. The Association intends to collect more and refresh its tenant profile information, gathered for 81.5% of tenants, and increase its use to improve services and tenant engagement.

Family has very recently undertaken a tenant survey; the results of which are expected imminently and will be used to gain a robust, up to date perspective on tenant satisfaction with services.

## 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.

### Areas requiring further regulatory assurance:

- **Creation of additional headroom in the Business Plan, to reduce vulnerability to changes in the income and expenditure over the next five years**
- **Further work on modelling the impact of the Local Housing Allowance housing benefit cap, plus development and implementation of an appropriate action plan to address the significance on future income**
- **Performance evaluation of the different elements of the business, to enable Board's informed decisions around further efficiency gains**
- **Robust compound scenario testing and mitigation planning of the Business Plan by Board, to include consideration of the high reliance upon Supporting People income**
- **Continued work to reduce 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**
- **Embedding of the significant number of new Board members, to ensure effective governance**
- **Addressing continued delays with development and bringing properties into full occupancy, to minimise impact on income**
- **Continued development of a strategic and planned approach to asset management, using the robust understanding of asset performance gained to inform evidenced decision making**