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Welsh Government

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Welsh Government Housing Regulation

Regulatory Judgement

Cynon Taf Community Housing Group – L145

June 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

Cynon Taf Community Housing Group (“Cynon Taf” or “the Group”) comprises the parent company and its subsidiary, Cwm Taf Care and Repair. Cynon Taf was created following the merger of Cynon Taf Housing Association with Pontypridd and District Housing Association in 2008. Cynon Taf is a Registered Social Landlord. Both Group members are registered under the Cooperative and Community Benefit Societies Act 2014 with charitable rules.

The Group owns and manages over 1,828 homes, including 300 sheltered homes and 30 supported homes. It operates in the Rhondda Cynon Taf County Borough Council area.

Cwm Taf Care and Repair provides services throughout the Rhondda Cynon Taf and Merthyr local authority areas, aimed at enabling older people to remain at home in greater comfort, warmth and security.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2014/15 Restated	2015/16		
Performance				
Operating Surplus as % of turnover	19.9%	21.7%	n/a	19.1%
Surplus for the year as % of turnover	1.3%	10.6%	n/a	8.7%
Loss from empty properties and uncollected rent as % of rental income	1.7%	2.5%	n/a	1.6%
Funding				
Fixed Borrowing as a % of total	37%	33%	n/a	74%
Gearing	35%	37%	50%	69%
Interest cover	144%	151%	110%	153%
Current cash balances and undrawn facilities are sufficient for the Group to complete its committed development programme.				

Regulatory Judgement – Co-Regulation Status

Co-Regulation Status – June 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

- Complies with governing documents including adopting and complying with an appropriate code of governance.

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 7.0 Compliance with regulatory and statutory requirements and guidance

- Communicates in a timely manner with the regulator on material issues that relate to non-compliance.
- Adheres to all relevant law and all regulatory requirements.

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.
- Monitors, reports on and complies with all covenants.