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Welsh Government Housing Regulation

Regulatory Judgement

Mid-Wales Housing Association – L013

March 2019

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

The Group consists of Mid-Wales Housing Association (“Mid-Wales Housing” or “the Group”), the parent, with a subsidiary company called Care and Repair in Powys. Both are Registered Social Landlords who are registered under the Co-operative and Community Benefit Societies Act 2014 and have charitable rules.

The majority of the Group’s activity arises from 1,319 general needs homes and 153 supported housing and sheltered accommodation places. There are also 32 intermediate rented properties and 9 at market rent, and it provides services to a further 144 sold properties. The Group is active in Ceredigion and Powys local authority areas in Wales, and also Shropshire in England with general needs. Mid-Wales Housing built 1 new home in 2017/18, and is committed to building 71 new homes during 2018/19.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2016/17	2017/18		2016/17
Performance				
Operating surplus as % of turnover	32.1%	28.7%	n/a	21.3%
Surplus for the year as % of turnover	11.9%	8.1%	n/a	6.5%
Loss from empty properties and uncollected rent as % of rental income	1.5%	1.9%	n/a	2.0%
Funding				
Fixed borrowing as a % of total	76%	84%	n/a	74%
Gearing (net worth)*	54%	52%	65%	61%
Interest cover	136%	118%	105%	172%
Current cash balances and undrawn facilities are sufficient for the Group to complete its committed development programme.				
*The Group has recently completed negotiations to move from net worth to historic cost gearing covenants. Group performance against historic cost gearing was 32% and 33%, in 2016/17 and 2017/18 respectively, with a covenant limit of 52%.				

Regulatory Judgement – Co-Regulation Status

Co-Regulation Status – March 2019

Governance and Services - 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:

PS1 - 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.
- Complies with governing documents including adopting, and complying with, an appropriate code of governance.

PS3 - Comprehensive assessment of the business impacts of current and emerging risks, including new business and development opportunities, with robust risk management arrangements

- Assessment of capacity to take on new business and development opportunities is robust.
- Carries out detailed and robust stress testing of financial plans against a range of scenarios, identifying appropriate mitigation strategies.
- Before taking on any new liabilities, ensures obligations are fully understood and demonstrates consideration of how the likely impact on current and future business and regulatory compliance will be managed.

PS4 - Clearly evidenced self evaluation and statement of compliance

- Compliance with Circular 02/15 – Core Principles of Self Evaluation for use by Housing Associations Registered in Wales, or any subsequent guidance which replaces this circular.

PS7 - 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 regulatory requirements.

PS8 - A financial plan which delivers and supports the business plan and effective monitoring of financial performance

- Ensures that the organisation is financially sound.