



Llywodraeth Cymru
Welsh Government

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Welsh Government Housing Regulation

Regulatory Judgement

Hendre – L132

December 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

Hendre (“the Group”) was formed in 2002 and can trace its history to the establishment of Hafod Housing Association in 1968. The Group operates in 9 local authority areas in South Wales, manages 6,000 properties and provides services to 16,000 individuals and families.

Hendre Limited is the parent of the Group and exercises control over all subsidiaries. It is a Registered Social Landlord and registered under the Cooperative and Community Benefit Societies Act 2014. All Group members, with the exception of Hafod Resources, operate under charitable rules.

The Group structure comprises:

- Hendre Limited – the parent organisation;
- Hafod Housing Association, a Registered Social Landlord, which provides a range of housing, support and care services, including general needs housing, home ownership initiatives, supported accommodation, residential and nursing care homes and domiciliary care;
- Hafod Resources Limited, previously provided corporate services to Group members; these services were transferred to Hafod Housing Association during 2019;
- Yellow Wales, a registered charity and subsidiary of Hafod Housing Association, providing employment and training opportunities to young people; and
- Foundation Housing Tai Sylfaen, a non Registered Social Landlord, which is currently dormant. Its services for homeless people and supported housing have been transferred to Hafod Housing Association.

The Group has an equity stake in the Welsh Housing Partnership, which is a joint venture with three other housing associations.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2017/18	2018/19		
				2017/18
Performance				
Operating surplus as % of turnover	15.6%	15.9%	n/a	20.1%
Surplus/(Deficit) for the year as % of turnover	6.5%	7.3%	n/a	8.1%
Loss from empty properties and uncollected rent as % of rental income	1.0%	1.9%	n/a	2.1%
Funding				
Fixed borrowing as a % of total	100%	100%	n/a	75%
Gearing (net worth)	41%	41%	60%	61%
Interest cover	207%	211%	110%	165%
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 – December 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 - Standard

- Meets viability requirements and has the financial capacity to deal with scenarios appropriately.

Hendre's judgement has been revised for the following reason:

- The Association has continued to make governance improvements required at the time of the previous judgement.

Hendre gave the Welsh Ministers a voluntary undertaking in accordance with section 6A of the Housing Act 1996. The voluntary undertaking required the implementation of recommendations of a significant governance improvement programme. There are a small number of outstanding actions which relate to culture and Board effectiveness which can only be evidenced over time and which are expected to be addressed over the coming months.

Specific assurance, through increased regulatory oversight, is also required in respect of the following performance standards:

PS 1.0 Effective Board and executive management with a clear and ambitious vision for the Registered Social Landlord

- The terms of the voluntary undertaking are met in full and the governance improvements continue.

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

- Improvement in the mitigation analysis in response to risks highlighted through stress testing the business plan.

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

- Financial reporting to the Board is accurate and robust internal review processes are implemented.
- Analysis of performance by business stream is improved and reported appropriately.