



## Financial Viability Judgement

Tai Ceredigion Cyfyngedig

Registration number: L151

Date of publication: 28 March 2013



## Welsh Government

### Financial Viability Judgement

The Welsh Ministers have powers under the Housing Act 1996 to regulate Registered Social Landlords (RSLs) in Wales in relation to the provision of housing and matters relating to governance and financial management. Part 1 of the 1996 Act is amended by Part 2 of the Housing (Wales) Measure 2011 (“The Measure”) and provides the Welsh Ministers with enhanced regulatory and intervention powers concerning the provision of housing by registered social landlords and the enforcement action that may be taken against them. The Welsh Ministers are publishing this regulatory assessment report under section 33A of the Housing Act 1996.

The regulatory assessment work undertaken follows the risk-based approach to regulation and seeks to make a judgement relating to the financial viability “Delivery Outcome” (standard of performance). The “Delivery Outcomes” (standards of performance) are set out in the Regulatory Framework for Housing Associations Registered in Wales, which is also known as “the regulatory framework”.

This report sets out the Welsh Government’s assessment and is designed to provide the RSL, its tenants, service users and other stakeholders with an understanding of the RSL’s financial viability.

The term ‘association’ has been used throughout the report to refer to registered social landlords, whether they are a single housing association or a group.



## Description of the Association

Tai Ceredigion Cyfyndefig is an Industrial and Provident Society with charitable rules and was created following a large scale voluntary transfer from Ceredigion County Council on 30 November 2009.

The Association owns and manages over 2,200 homes primarily consisting of general needs and sheltered accommodation.

The current focus is the investment in existing housing stock to meet the requirements of the Welsh Housing Quality Standard (WHQS).

The association has development aspirations and has included a small new build programme of 8 homes a year from 2013 to 2017 within the 30 year forecast.

## Overall Conclusion

In relation to the Association, our Financial Viability Judgement as at 28 March 2013 is:

### Pass

The Association has adequate resources to meet its current and forecasted future business and financial commitments.

## Our judgement is explained as follows:

1. The 30 year forecast has been prepared using a reasonable set of assumptions and demonstrates sufficient prudence to remain viable under a variety of different economic scenarios.
2. The Association has adequate private financing in place to fund its forecasted spending on property maintenance and improvements, and it has sufficient income generating ability to service such borrowings. The level of costs included in the forecast appears reasonable in order to deliver the Welsh Housing Quality Standard by 2014/15.
3. We are content that the Association can operate without breaching the financial covenants to which its borrowing is subject to.
4. We note there is some exposure to higher than forecast cost inflation over the medium term, however we are content that the Association has the necessary flexibility to operate without breaching the financial covenants to which its borrowing is subject to.
5. The Association has assumed that there will be a significant decrease in ongoing maintenance costs once it has achieved WHQS compliance. Should the decrease not materialise then this may be a potential future risk to the Association's ongoing financial viability that it will need to monitor on a continuing basis.
6. The Association has carried out an assessment of the financial impact of welfare benefit reforms and has demonstrated that their 30 year forecast can sustain an adverse impact from 2013/14 onwards.
7. The Association's financial results to date and its 30 year forecast demonstrates that it does not rely unduly on property sales or commercial activities to fund its operations.

### Note:

- *The Association receives £1.6m p.a. dowry funding from the Welsh Government. The Welsh Ministers currently intend to offer financial assistance for 30 years from the date of transfer (subject to the terms and conditions set out in the offer letter) and acknowledge that the Association's 30 year business plan is predicated on the assumption that further financial assistance will be offered for that period.*



## Sources of information and regulatory activity

The following information is generally received from RSLs and reviewed by the Welsh Government:

- Audited annual accounts, including the internal controls assurance statement;
- External auditors' management letter;
- 30 year financial forecasts;
- Six monthly management accounts;
- Private finance returns;
- 5 year business plans;
- Board papers, as requested;
- Financial and risk management information collected through undertaking housing association regulatory assessments.

In addition we also liaise with the RSL as part of the Financial Viability Judgement assessment process.

## Basis of financial viability judgement

This judgement is based on information submitted by the RSL, our accumulated knowledge and experience of the RSL, its management and the RSL sector as a whole.

In preparing this report, the Welsh Ministers have relied on the information supplied by or on behalf of the RSL. The Directors of the RSL remain responsible for the completeness and accuracy of such information.

This report has been prepared for the RSL as a regulatory assessment. It must not be relied upon by any other party or for any other purpose. Any other parties are responsible for making their own investigations or enquiries.

The financial element of the regulatory assessment is undertaken throughout the year and culminates in a financial viability judgement which is issued to each housing association at the end of March each year.

There are three categories of financial viability judgement: **"pass"**, **"pass with closer regulatory monitoring"**, or **"fail"**.

Where a judgement of **"fail"** applies, the Welsh Ministers will have already been working closely with the association to address the underlying issues.

Where the judgement is **"pass with closer regulatory monitoring"**, the Welsh Ministers are of the view that additional work and/or scrutiny, is required to provide stronger assurance on financial viability.