



Llywodraeth Cymru
Welsh Government

www.cymru.gov.uk

Welsh Government Housing Policy – Regulation

Regulatory Opinion

Grŵp Cynefin – L029

May 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 and performance 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
Welsh Government
Sarn Mynach
Llandudno Junction
LL31 9RZ
e-mail: housingregulation@wales.gsi.gov.uk

Profile

Grŵp Cynefin was formed on the 1st April 2014 with the merger of Cymdeithas Tai Clwyd Cyfyngedig with Cymdeithas Tai Eryri Cyfyngedig. The new Grŵp provides around 4,500 homes. The Grŵp has three subsidiary companies; Canllaw (Eryri) Cyfyngedig, Cywaith Cyfyngedig and Gofal a Thrwsio Conwy a Sir Ddinbych.

The Grŵp's Registered Social Landlords are:

- Grŵp Cynefin providing 2,800 general needs and 800 supported housing homes including 3 extra care schemes, as well as 900 intermediate market homes;
- Canllaw (Eryri) Cyfyngedig providing care and repair services to older people in Anglesey and Gwynedd.

Grŵp Cynefin is registered under the Co-operative and Community Benefit Societies Act 2014 and has charitable rules. Canllaw is a registered charity limited by guarantee. Cywaith Cyfyngedig is a company limited by guarantee, which develops community assets for a variety of social, economic or cultural purposes and facilitates local regeneration activity. It is currently inactive.

Gofal a Thrwsio Conwy a Sir Ddinbych was formed on 1st July 2015 and is a company limited by guarantee providing care and repair services in Conwy and Denbighshire. An application to register as a charity is pending.

For the year ending 31 March 2015, the Grŵp's turnover was £19.3m, its retained surplus was £1.5m and it employed 195 staff.

The Grŵp is active in Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd, Powys and Wrexham local authority areas. The Grŵp also has an equity stake in the Welsh Housing Partnership which was acquired via a joint venture agreement with three other Housing Association groups in Wales. To date the Welsh Housing Partnership has delivered more than 900 new homes across Wales.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2013/14	2014/15		2014/15
Performance				
Operating Surplus as % of Turnover	22.5%	21.9%	n/a	19.4%
Surplus transferred to Reserves as % of Turnover	4.5%	7.7%	n/a	9.0%
Loss from empty properties and uncollected rent as % of Gross Rent Receivable	1.6%	1.9%	n/a	2.7%
Funding				
Fixed Borrowing as a % of Total	49%	54%	n/a	72%
Gearing	45%	51%	60%	58%
Interest Cover	n/a	123%	110%	147%
Note: Covenant Limits are as at 31/3/2015 Current cash balances and undrawn facilities are sufficient for the Association to complete its committed development program.				

Regulatory Opinion

The financial viability judgement issued in December 2015 was a Pass - The Grŵp has adequate resources to meet its current and forecasted future business and financial commitments.

Since the merger to form Grŵp Cynefin in April 2014, the Grŵp has strived to provide an uninterrupted service to its residents. Tenant satisfaction remains high since the merger.

Governance is sound at Grŵp Cynefin. The Board demonstrate a strong and robust challenge of the executive, whilst being aware of its strategic role. The Board understand and has ownership of the current strategic risks to the Grŵp. The mix of skills, expertise and experience of Board members has supported staff to achieve the goals of the merger. Grŵp Cynefin rigorously appraises the effectiveness of their governance and highly self aware of areas that require further development. Priorities are succession planning and strengthening Board training and appraisals. Grŵp Cynefin embraces a co-regulatory approach to regulation and is proactive in keeping the regulator notified of key information impacting the Grŵp.

The Self Evaluation is work in progress and the Grŵp has identified the further work required for it be a robust evaluation of the health and performance of Grŵp Cynefin. The Self Evaluation Framework demonstrates that the process is central to the Grŵp's business planning procedure and it is the initial base for setting the priorities of the operational plans.

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 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.

Governance and Financial Management

Governance

Areas requiring further regulatory assurance:

- The evaluation of the merger benefits/achievements is completed by the end of April early May 2016 and the Board respond appropriately to the report at the Board meeting in June 2016.
- Areas identified as not or only partly complying with CHC Code of Governance will be addressed and explanation for non compliance provided.
- Ensure appraisal policy for Board members including Chairs and vice Chairs is adopted and has the necessary impact on strengthening governance.
- Review of cost-effectiveness of the Grŵp structure to be delivered by 31 March 2017 and findings responded to appropriately.
- Further develop the approach to Self Evaluation to comply with Circular RSL 02/15 to provide a robust evaluation of the health and performance of Grŵp Cynefin and has Board ownership.
- Assurance that the Welsh Housing Quality Standards programme is on target for completion by 31 March 2018.
- Develop a new value for money framework and continue to explore opportunities for achieving efficiencies and value through partner working.
- In line with other Associations, developing a robust Asset and Liabilities register to prepare for worst case scenario should the Grŵp find itself in difficulty.
- Ensure that the Grŵp has an Asbestos Policy or an Asbestos Management Plan in place and provide asbestos awareness training for staff as well as conducting an asbestos survey on any properties with planned major works.
- Monitoring external operating environment to ensure domestic abuse and homelessness services are appropriately governed and risks to income mitigated.

Financial Viability

Our judgement of the Grŵp's financial viability has changed since the last financial viability judgement issued in September 2014, which was Pass with closer regulatory monitoring.

As at December 2015, the judgement is: **Pass**

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

Areas requiring further regulatory assurance:

- The Interest cover covenant, though tight in the first 5 years of the 30 year forecast, will remain above the minimum level required throughout the forecast period
- Stress testing of the underlying assumptions in the 30 year forecast and evidencing the mitigating actions available to the Grŵp should they be required.
- The 30 year financial forecast accurately reflects the expenditure required to maintain the condition of the housing stock
- Monitor income streams relating to the band of homes and communities identified in rural locations as being significantly impacted by Welfare Reform changes.

Landlord Services

Areas requiring further regulatory assurance:

- Consider alternative ways to gather more robust information from tenant satisfaction feedback.
- Reletting period has increased to 32 days compared to a target of 21 days. Task and Finish Group must demonstrate it has effectively addressed this issue in a timely manner.
- Further work to be undertaken to understand why high number of telephone calls are abandoned before staff can answer the call.
- Internal Audit recommendations regarding information to tenants including appropriate advice and guidance to tenants on asbestos and contact numbers will be implemented.
- Botwnnog: enterprise centre remains viable and vibrant, mirroring the success in other Grŵp Cynefin social enterprise activities.