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Welsh Government

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Welsh Government Housing Regulation

Regulatory Opinion

North Wales Housing – L33

December 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 <https://www.nwha.org.uk/about-us/performance/how-we-are-performing/> 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
RSL Sector Development and Regulation Division
Welsh Government
Sarn Mynach
Llandudno Junction
LL31 9RZ
e-mail: housingregulation@wales.gsi.gov.uk

Profile

The Group consists of North Wales Housing Association Limited (“North Wales Housing” or “the Group”), the parent company, with subsidiary member Domus Cambria Limited.

North Wales Housing is a Registered Social Landlord. It is registered under the Co-operative and Community Benefit Societies Act 2014, with charitable rules.

Domus Cambria Limited is a company limited by shares that provides residential property development services to the parent company.

The Group provides homes and delivers services to over 2,625 households across North Wales. The Group is active in the Conwy, Denbighshire, Gwynedd, Anglesey and Wrexham local authority areas.

North Wales Housing has evolved to become a more complex Group over recent years to include a commercial subsidiary Domus Cambria, a new social enterprise Rakes and Ladders and it is trustee of the Olinda Trust. As the Group has entered into new areas of business including the building of new extra care schemes and commercial contracting, it has recognised the need for change and to strengthen its governance arrangements.

Key Financial Data

| | Historical Data | | Covenant Limit | Sector Average |
|--|------------------|---------|----------------|----------------|
| | 2014/15 Restated | 2015/16 | | |
| Performance | | | | |
| Operating surplus as % of turnover | 29.0% | 20.7% | n/a | 19.4% |
| Surplus/(deficit) for the year as % of turnover | 11.1% | 4.1% | n/a | 9.0% |
| Loss from empty properties and uncollected rent as % of rental income | 1.6% | 1.7% | n/a | 2.7% |
| | | | | |
| Funding | | | | |
| Fixed Borrowing as a % of total | 64% | 64% | n/a | 72% |
| Gearing | 53% | 48% | 60% | 58% |
| Interest cover | 140% | 135% | 110% | 147% |
| | | | | |
| Current cash balances and undrawn facilities are sufficient for the Group to complete its committed development program. | | | | |

Regulatory Opinion

Our judgement of the Group's **financial viability** is changed from last year. As at December 2016, the judgement is:

- **Pass with closer monitoring**

The quality of governance at North Wales Housing has been poor. The issues raised in our previous opinion https://www.nwha.org.uk/wp-content/uploads/2016/03/nw_regulatory_opinion_en.pdf have not been adequately addressed to date.

The organisation continues to be characterised by a laissez-faire culture and the Board has insufficient grip on the Group's activities. High management costs, together with poor decision-making without a full understanding of the risks involved, have generated significant financial pressures on the organisation.

The Board requires specialist housing governance and finance leadership at this time. To strengthen the Board, the Group has invited 5 co-optees to join with immediate effect. This will provide the necessary skills and experience to ensure North Wales Housing operates effectively. A new Chief Executive has also taken up post to improve executive leadership as the Group looks to address emerging risks.

Regulatory Assurance

As well as a root and branch overhaul of governance, finance and landlord services, North Wales Housing needs to focus on providing on-going assurance to the Regulator on the areas identified below.

- **Assurance that the Board believes the Group's financial plans over the short to medium term are robust**
- **Consideration of a future corporate structure which more realistically reflects the circumstances the Group finds itself in. There needs to be a clear rationale setting out the reasons North Wales Housing should remain independent or merge with another housing association**