Welsh Government
Housing Policy – Regulation

Regulatory Opinion

Valleys to Coast Housing Association – L137

March 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.


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 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.

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Profile

Valleys to Coast Housing Limited (“V2C”) is a Registered Social Landlord created following a large scale voluntary transfer of properties from Bridgend County Borough Council in September 2003. It is registered under the Co-operative and Community Benefit Societies Act 2014 with charitable rules.

V2C owns and manages 5,825 general needs homes, including 197 sheltered and extra care homes, throughout Bridgend County Borough. It provides management to 780 leaseholders.

It is anticipated that Welsh Housing Quality Standard will be achieved in 2017. Additional funding has been secured to develop 85 new homes by September 2017.

For the year ending 31 March 2015, the Association’s turnover was £25.5m (2014: £24.7m), its retained surplus was £1.2m (2014: £2.2m) and it employed 232 staff (2014: 228).

Key Financial Data

<table>
<thead>
<tr>
<th></th>
<th>Historical Data</th>
<th>Covenant Limit</th>
<th>Sector Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013/14</td>
<td>2014/15</td>
<td>2013/14</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Surplus as % of Turnover</td>
<td>17.0%</td>
<td>11.9%</td>
<td>n/a</td>
</tr>
<tr>
<td>Surplus transferred to Reserves as % of Turnover</td>
<td>8.9%</td>
<td>4.7%</td>
<td>n/a</td>
</tr>
<tr>
<td>Loss from empty properties and uncollected rent as % of Turnover</td>
<td>2.1%</td>
<td>2.5%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Borrowing as a % of Total</td>
<td>61%</td>
<td>100%</td>
<td>n/a</td>
</tr>
<tr>
<td>Net debt per unit</td>
<td>n/a</td>
<td>£9.5k</td>
<td>£15k</td>
</tr>
<tr>
<td>Interest cover</td>
<td>n/a</td>
<td>140%</td>
<td>110%</td>
</tr>
</tbody>
</table>

Current cash balances and undrawn facilities are sufficient for the Association’s needs

Regulatory Opinion

V2C’s focus on continuously improving its board governance has proven effective in developing a Board operating effectively at a strategic level. Its longstanding senior management team works collaboratively and well with the Board.

The Association continues to seek a successful approach to tenant and community involvement and is now piloting a more informal approach, using community events to share information, provide accessible services and consult on future local projects. The outcomes of this revised approach are as yet unclear. The Association has developed a successful approach to tenant scrutiny, based on skills based recruitment and allocation of necessary

Note – this is an exceptions report and areas of performance not referred to specifically are judged to be appropriately managed at this time.
staff and audit time to support the approach. It has recognised the need to develop its approach to ensure that tenants are involved in strategic decision making and shaping service delivery.

V2C is making good progress on embedding an outcomes focussed approach across the organisation via its self evaluation which it uses as a live tool in business planning.

Tenant satisfaction with service quality is generally good. The Association recognises the need to improve its approach to dealing with empty homes by reducing the time taken to carry out empty home repairs and continue to work with Bridgend County Borough Council to improve the allocation approach.

**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 secured 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**

<table>
<thead>
<tr>
<th>Areas requiring further regulatory assurance:</th>
</tr>
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<tbody>
<tr>
<td>• Further improvements in the approach to equalities monitoring and reporting, providing assurance that services are provided free from discrimination and reflect the diversity of local communities</td>
</tr>
<tr>
<td>• Implementation of appropriate approaches to assessing the equalities impact of key policies and strategies</td>
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<tr>
<td>• Evaluation of the outcomes of the revised approach to community engagement</td>
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<tr>
<td>• Development of an effective approach to ensure tenants are involved in strategic decision making and shaping service delivery</td>
</tr>
<tr>
<td>• Development of a comprehensive organisation-wide approach to value for money</td>
</tr>
<tr>
<td>• Development of an effective approach to strategic asset management incorporating a robust understanding of asset performance to evidence investment decisions</td>
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</tbody>
</table>

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Financial Viability

Our judgement of the Association’s financial viability remains unchanged from last year. As at March 2016, the judgement is

- **Pass**

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

**Areas requiring further regulatory assurance:**

- Expansion of sensitivity testing of the Business Plan, including effects on all covenants and free cash, and analysis of the mitigating actions available to the association.

Landlord Services

**Areas requiring further regulatory assurance:**

- Implementation of improvement plans for speed of repairs to empty properties to reduce the rent-loss due to empty homes
- Development, implementation and monitoring of service standards and publication of comprehensive performance information to improve accountability for the quality of core services

Note – this is an exceptions report and areas of performance not referred to specifically are judged to be appropriately managed at this time.