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Welsh Government Housing Regulation

Regulatory Judgement

Pennaf Group – J136

September 2018

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

The Group consists of Pennaf Limited (“Pennaf” or “the Group”), the parent company, with subsidiary members; Clwyd Alyn Housing Association Limited, Tŷ Glas Housing Society Limited, Offa Limited, Tir Tai Limited, PenAlyn Limited and PenArian Housing Finance PLC.

The Group’s Registered Social Landlords are:

- Pennaf, which provides corporate management services to the Group.
- Clwyd Alyn Housing Association Limited, providing 5,327 homes including general needs, Low Cost Home Ownership and supported housing places.
- Tŷ Glas Housing Society Limited provides 273 homes and operates an advice, adaptations and repairs service.

Pennaf is a not for profit company limited by guarantee. Clwyd Alyn Housing Association Limited and Tŷ Glas Housing Society Limited are registered under the Co-operative and Community Benefit Societies Act 2014 and have charitable rules.

Tir Tai Limited is a company limited by guarantee and provides development services to other parts of the Group.

Offa Limited is a company limited by guarantee to undertake any non-charitable work in the Group. With effect from 1 October 2016 it has not been active.

PenArian Housing Finance PLC is a special purpose vehicle set up to administer bond finance to the Group.

PenAlyn Limited is a company limited by shares with Pennaf as the only shareholder. PenAlyn Limited was set up to provide maintenance services to other Group members. This service was transferred to Clwyd Alyn on 1 October 2016 and the Group is now considering options for PenAlyn.

The majority of the Group’s activity arises from 3,969 general needs homes, 249 extra care apartments and 673 supported housing, residential and nursing home places. They also provide 527 properties through Low Cost Home Ownership. The Group is active in six local authority areas in north Wales.

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2016/17	2017/18		
Performance				
Operating surplus as % of turnover	26.3%	27.5%	n/a	21.3%
Surplus/ (deficit) for the year as % of turnover *	10.1%	(30.6%)	n/a	6.5%
Loss from empty properties and uncollected rent as % of rental income	2.2%	2.4%	n/a	2.0%
Funding				
Fixed borrowing as a % of total	74%	100%	n/a	74%
Gearing (historic cost) **	36%	40%	65%	44%
Interest cover **	171%	176%	110%	172%
<p>Current cash balances and undrawn facilities are sufficient for the Group to complete its committed development programme.</p> <p>* During 2017-18, the Group incurred one-off loan breakage costs of £15.9m in the course of re-financing the Group's historic debt.</p> <p>** Covenants apply at subsidiary level. The figures above are shown for Clwyd Alyn Housing Association, as no equivalent covenants for gearing and interest cover applied to other Group members during the relevant period.</p>				

Regulatory Judgement – Co-Regulation Status

Co-Regulation Status – September 2018

Governance and Services – Standard

- Identifies and manages new and emerging risks appropriately

Financial Viability – Standard

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