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Welsh Government Housing Regulation

Regulatory Opinion

First Choice Housing Association Limited – J094

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 (<http://www.fcha.org.uk/Copy/Self%20Evaluation.pdf>) 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
Merthyr Tydfil Office
Rhydycar
CF48 1UZ
e-mail: housingregulation@wales.gsi.gov.uk

Profile

First Choice Housing Association (“First Choice” or “the Association”) was established in 1988 and is a specialist Association providing supported housing for vulnerable people throughout Wales and Shropshire. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and has charitable rules.

First Choice owns and leases around 236 properties providing around 701 bed spaces. The Association currently manages properties in 18 out of 22 Welsh Local Authorities.

First Choice delivered 16 homes, providing 57 bed spaces, during 2015/16. It plans to build 297 new bed spaces by 2020.

For the year ending 31 March 2016, the Association’s turnover was £4.5m (2015 restated: £4.1m), its retained surplus was £1.6m (2015 restated: £1.3m) and it employed 19 staff (2015:19).

Key Financial Data

	Historical Data		Covenant Limit	Sector Average
	2014/15 Restated	2015/16		2014/15
Performance				
Operating Surplus as % of Turnover	42.6%	43.2%	n/a	19.4%
Surplus for the year as % of Turnover	32.3%	36.2%	n/a	9.0%
Loss from empty properties and uncollected rent as % of Rental Income	0.2%	0.6%	n/a	2.7%
Funding				
Fixed Borrowing as a % of Total	58%	44%	n/a	72%
Gearing	52%	47%	70%	58%
Interest Cover	382%	561%	110%	147%
Current cash balances and undrawn facilities are sufficient for the Association to complete its committed development program.				

Regulatory Opinion

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

- **Pass**

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

First Choice is well governed and co-regulatory. It is anticipated that this will continue through its current period of change, with the retirement of its Chief Executive and a newly appointed Chair of the Board.

Community Housing Cymru's Code of Governance has been fully adopted and incorporated into Board members' appraisals, with ongoing monitoring for compliance. A balanced scorecard enables Board to scrutinise performance and self evaluation is embedded in the strategic business planning process.

There is evidence of sound scrutiny and decision-making within the governance structure, supported by comprehensive risk management and awareness at Board level and throughout the organisation. This is applied well to identifying and minimising risks with new developments and the consideration of any diversification.

The Association has modelled potential scenarios which could affect its financial Business Plan. First Choice plans to extend this stress testing by its Board, to cover the impact of multiple scenarios occurring and appropriate mitigating strategies.

Tenants express very high levels of satisfaction with the Association's services and tenant involvement. First Choice has collected 100% tenant profile information, which it continues to seek to use to tailor its services and engagement opportunities.

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.

Areas requiring further regulatory assurance:

- **Equalities monitoring of services to provide Board with assurance that its services are delivered free from discrimination**
- **Further robust measures and monitoring regarding achievement of service standards and the high level of tenant satisfaction with services evidenced to date**
- **Board involvement, as scheduled, in compound scenario stress testing of the financial Business Plan, and identification of mitigating actions should they be required**
- **Further development of a strategic and planned approach to asset management, to ensure a robust evaluation of asset performance to inform evidenced decision making**

