



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Welsh Assembly Government Housing Regulation

Financial Viability Judgement

Bron Afon Community Housing Ltd

Registration number: L147

31 March 2011

Welsh Assembly Government Financial Viability Judgement

The Welsh Ministers have powers under the Housing Act 1996 to regulate Registered Social Landlords (RSLs) in Wales. This report has been prepared by the Housing Regulation Team of the Welsh Assembly Government acting under authority of the Welsh Ministers. It has been produced to assist the Welsh Ministers in exercising their regulatory functions in connection with the financial viability of RSLs.

The work undertaken has followed our risk-based approach to regulation and seeks to identify areas of concern relating to financial viability delivery outcomes of the new Regulatory Framework which is intended to replace the Regulatory Code for Housing Associations Registered in Wales.

This report sets out the overall assessment of the financial viability of Bron Afon Community Housing Ltd (“the Association”).

| Description of the Association |
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| <p>Bron Afon Community Housing Ltd is an industrial and provident society with charitable rules created following a large scale voluntary transfer of over 8,000 properties from Torfaen County Borough Council on 31 March 2008.</p> <p>The Association owns and manages general needs, sheltered, leasehold, shared ownership homes and commercial properties within Torfaen County Borough.</p> <p>The Association has no committed development plans but will consider development opportunities as it moves towards substantial Welsh Housing Quality Standard compliance.</p> |

Overall conclusion

In relation to the Association, our Financial Viability Judgement as at 31 March 2011 is:

Pass

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

Our judgement is explained as follows:

- The 30 year forecast has been prepared on a reasonable set of assumptions and demonstrates sufficient prudence to remain viable under a variety of economic scenarios.
- The Association has adequate private financing in place to fund its forecast spending on property maintenance and it has sufficient income generating ability to service such borrowings. The level of costs included in the forecast seems reasonable to deliver substantial Welsh Housing Quality Standard compliance by the Association's target date.
- We are content that the Association can operate without breaching its lenders' financial covenants.
- There is no reliance on property sales, nor overdue reliance on commercial activities, to fund the Association's operations.
- The Association receives £5.8m p.a. dowry funding from the Welsh Assembly Government. The Welsh Ministers currently intend to offer financial assistance for 30 years from the date of transfer (subject to the terms and conditions set out in the offer letter) and acknowledge that the Association's 30 year business plan is predicated on the assumption that further financial assistance will be offered for that period.

Sources of information and regulatory activity

As part of our work the following information has been received from the Association and reviewed by the Welsh Assembly Government:

Audited annual accounts, including the Board's internal control statement (31 Mar 2010)

External auditor's management letter (31 Mar 2010)

30 year financial forecast (2010 to 2040)

Private finance return (31 Mar 2010)

Management accounts (30 Sept 2010)

In addition, we have met with the Association's finance management team as part of the Financial Viability Judgement process.

Basis of judgement

We have formed our view based on financial information submitted by the Association, our accumulated knowledge and experience of the Association, its management and the RSL sector as a whole.

In preparing this report, the Welsh Ministers have relied on the information supplied by or on behalf of the Association. The Directors of the Association remain responsible for the completeness and accuracy of such information.

This report has been prepared for the Association as a regulatory judgement. It must not be relied upon by any other party, or for any other purpose. Any other parties are responsible for making their own investigations or enquiries.