



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Welsh Assembly Government Housing Regulation

Financial Viability Judgement

Cadarn Housing Group Limited

Registration number: L025

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 Cadarn Housing Group Limited (“the Group”).

Description of the Group

The Group comprises Cadarn Housing Group as parent and Newydd Housing Association (1974) Limited as its subsidiary. Both are registered under the Industrial and Provident Societies Act 1965. Newydd Housing Association is a traditional housing association with charitable rules.

Newydd Housing Association provides 2,100 general needs homes plus sheltered accommodation, supported housing and low cost home ownership properties across 11 local authorities in Wales.

In addition to providing corporate services to Newydd Housing Association, Cadarn Housing Group provides information technology services to other housing associations and supporting people organisations across the UK.

The Group has an established development program and anticipates delivering 139 new homes in 2011.

Overall conclusion

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

Pass

The Group 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 Group 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 Group's own target date.
- We are content that the Group can operate without breaching its lender's financial covenants.
- The level of committed development included in the forecast is within our expectations of what the Group can achieve and is sufficiently funded. There is history of the Group delivering schemes of a similar size in the past to those currently being undertaken.
- There is no overdue reliance on property sales, or commercial activities to fund the Group's operations.

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 (31 Dec 2010)

Group combined budget (2010/11)

In addition, we have met with the Group'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 Group, our accumulated knowledge and experience of the Group, 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 Group. The Directors of the Group remain responsible for the completeness and accuracy of such information.

This report has been prepared for the Group 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.