

Meeting Title:	Financial Advisory Group
Date:	20th November 2013
Time:	10:30
Place:	Room 4.08, Cathays Park, Cardiff
Attendees:	<p>Gayna Jones [GJ] - RBW, RAG (Chair) Hannah Waldron [HW] - WG (Minutes)</p> <p>Debbie Green [DG] - Coastal Alison Johns [AJ] - Barclays Tony Wilson [TW] - WWH Katrina Michael [KM] - Tai Ceredigion Emma Holiday [EH] - KPMG Darshan Singh Matharoo [DSM] - WG Naheed Hussain [NH] - WG</p>
Apologies :	<p>John Marr [JM] - CML Steve Evans [SE] - CHC Steve Primarolo - THFC</p>

Agenda

1.	Welcome & Apologies	Chair
2.	Approve minutes from 26 October 2013, FAG meeting	Chair
3.	Summary of sector response to the new risk based approach.	Darshan
4.	<p>Discuss & agree changes to the draft discussion on risk based approach.</p> <p>Confidential – timetable for regulatory assessments</p>	Darshan
5.	<p>Sector risks:</p> <p>Notes & presentation of joint FAG/RAG meeting on 30 October 2013</p> <p>Draft Sector Risk Profile for Wales – for comment</p>	Darshan
6.	Draft Proposed format for FVJ reports for 2014 – for comment	Naheed
7.	Verbal update on Sector Tenant Survey	Darshan
8.	Verbal update on action plan for sector study on governance	Darshan
9.	Any other business	All
10.	Date of next meeting – 8 January 2014	

Item	Topic
1.	<p>Welcome & Introductions</p> <p>It was noted that the Chair of the Group, JM was unwell and GJ was welcomed to the group by DSM and asked to chair in his absence.</p> <p>GJ welcomed the group and thanked all for attending. Apologies given for those not in attendance.</p> <p>DSM apologised for the technical difficulties experienced in regards to the agenda and papers sent on Friday 15 November 2013.</p>
2.	<p>Minutes of 26 September 2013</p> <p>The minutes of the meeting held on 26 September 2013 were received and approved as a true and accurate record.</p>
3.	<p>Summary of sector response to the new risk based approach.</p> <p>DSM started the discussion by asking the group, following receipt of the summary, what aspects of the paper still need to be revised?</p> <p>KM noted that not all responses had actions against them. DSM explained that this was due in part to some of the comments needing further deliberation and discussion and time pressures. The final document will take account of all key comments provided.</p> <p><i>Section 3.7 -Linkages to what already being done on risk by RSLs</i> - Members are able to see the direct link of the sector risks to the FVJ, however, the group felt that the link to the regulatory framework needs to be expressed more clearly. DG suggested that this section should clearly highlight 'strategic' risks.</p> <p><i>Section 3.2- Judgements</i> – DSM informed the group that as this is a policy matter, WG is not able to address the introduction of judgements at this point. GJ informed the group that CML had requested a meeting with the RBW to discuss this further and to express their concerns. This meeting will be held prior to the next RBW meeting of 11 December 2013.</p> <p>GJ welcomed a discussion on the introduction of judgements in regards to Governance. The group could understand why CML and Lenders would want to introduce a judgment, as currently, their dealings with Associations do not allow them to do so. AJ felt that the judgement provided in the FVJ is easy to view, clear and demonstrated due diligence. AJ questioned why the regulator would not provide a judgement on governance when they are best placed to do so.</p> <p>Several members felt that providing a judgement on governance would be complex as it is an opinion which is subjective and therefore can be difficult to measure. A framework or code of governance would be needed to ensure consistency, which would not be appropriate given the variation between Associations. There would also be the risk that this would lead to a tick box exercise, which is not wanted by both the regulator and sector.</p> <p>GJ felt that this was a pragmatic problem, in that we all agreed with the concepts of the regulatory framework; the issue is the implementation of the framework. Should a judgement be needed, it would need to go out to consultation and for ministerial approval, which would mean that implementation would not be possible until late 2014.</p> <p>DG suggested the possible introduction of an expanded section on the Self Assessment in relation to Governance, where by Associations demonstrate good governance – risk appetite etc.</p> <p><i>Section 9 – Tenants at the heart of regulation</i> – TW felt that this type of operational focus would result in the regulators returning to the previous approach, which was not sustainable. The group felt that this section was unclear and that an example could be used to explain.</p> <p>DSM welcomed the group to provide further comments via email.</p>

	<p>Actions</p> <p>16. DSM to look at wording in both sections 3.7 & 9.</p>
4.	<p>Discuss & agree changes to the draft discussion on risk based approach. Confidential – timetable for regulatory assessments</p> <p>Agenda item linked to item 3.</p> <p>DSM informed the group that the paper will be revised following feedback from both the Regulatory and Finance Advisory groups. The paper will then go to the RBW on 11 December 2013.</p> <p>The group felt that the proposed timetable was ambitious and that the timescales were too tight. They questioned whether this timetable could actually be delivered. KM stated that the reputation of the regulation team is at risk here and that they should promise less and over deliver.</p> <p>AJ questioned the lack of publication dates, as this is a risk in itself. DSM explained that no publication timetable would be proposed, as the duration of an assessment would be dependant on the risk assessment and the resulting programme for regulatory engagement. A published report would then become a by-product of regulatory engagement when sufficient conclusions have been made.</p> <p>GJ informed the group that a review of the new approach is to be conducted in April 2014 and that the timetable will be reviewed at this stage.</p> <p>DSM asked the group for the timetable to remain strictly confidential.</p>
5.	<p>Sector risks: Notes & presentation of joint FAG/RAG meeting on 30 October 2013 Draft Sector Risk Profile for Wales – for comment</p> <p>DSM informed the group that he hoped that the notes from the joint meeting are clearly reflected in the Sector Risk Profile for Wales.</p> <p>DSM welcomed comments from the group in relation to the sector risk profile.</p> <p><i>'Compounding Risks'</i> - KM felt that this had not been addressed in the paper and that it needs to be a sub heading. DSM informed the group that reference was made to compounding factors in the text. GJ suggested inserting this risk into the introduction or conclusions, as this needs to be clearly drawn out and highlighted.</p> <p><i>'Global Accounts'</i> – TW felt that the paper did not make much use of the Global Accounts and that the paper did not highlight Wales as being a 'safer' sector than England, in terms of increased grant rates, lower rents, no derivatives and diversification. The group suggested adding this in the 'context' section of the paper, clearly highlighting the position of Wales. NH noted that this had not been done and that the report would be updated to reflect this context.</p> <p>EM highlighted that the paper needs to be a future looking document.</p> <p><i>Section 2.62-2.65</i> – TW felt that the certain or the terminology uses in the paper need to be amended as it was open to interpretation such as 'sweating assets' and 'sitting back and coasting'. The group agreed that the latter was a risk, but the risk relating to non delivery of Government priorities should be moved to section 2.69. The group also felt that more focus should be given to gearing, in terms of re-pricing decisions.</p> <p><i>Section 2.67</i> – TW felt that HA's have struggled to date in demonstrating effective participation of tenants and service users in decision making and that more clarity is needed in terms of what this means in practice.</p> <p><i>Section 2.69</i> – TW felt that only current examples of statutory responsibilities should be included. He felt that "homelessness" was a local authority responsibility. DG suggested 'Alleviating Homelessness' as a replacement for clarity.</p>

	<p>'Section 2.70-2.72 – TW felt that this section of the paper was overtly positive, given that an exercise has not been carried out so that this is not yet known. The group felt that only a brief sentence is needed as the work (scenario planning etc) is yet to be conducted and that a definition is needed as to what constitutes a 'medium sized' Association is. GJ felt that this work should be outsourced and that CML should be consulted as they would play a role in supporting a rescue.</p> <p>DG suggested that this information could be collected as part of the FVJ.</p> <p>EH questioned whether this is a risk to the sector and whether the need is for an agreed process rather than an answer.</p> <p>DSM asked the group to provide comments on the paper by Monday 26th November 2013.</p>
	<p>Actions</p> <p>17. DSM to consider feedback relating to 'compounding risks', 'global accounts', Section 2.62-2.65, Section 2.67, Section 2.69 and Section 2.70-2.72 in the sector risk profile.</p> <p>18. Group members to provide feedback directly to DSM by Monday 25 November 2013.</p>
6.	<p>Draft Proposed format for FVJ reports for 2014 – for comment</p> <p>NH introduced the proposed format for the FVJ report and welcomed comments from the group.</p> <p><i>Page 2 – Description of the Association</i> <i>[Development Activity]</i> - TW felt that it is not clear what entity is being referred to in this section. TW suggested using the full name for clarity.</p> <p><i>Page 3/4 – Overall conclusion</i> 2. <i>(Funding Requirements)</i> – AJ felt that it would be helpful to cite the duration of how long the covenants would be met. AJ had concerns over how these are calculated and questioned how assurance was provided to the WG. NH responded that the associations are asked to provide a schedule showing how covenant compliance. WJH check to ensure that there are no breaches but that it is up to HAs to monitor and calculate covenants correctly, as this information is provided to their boards and WG for assurance. It would not be for the WG to undertake compliance checks to ensure that the associations had correctly interpreted the covenants. If HAs were to breach, or were at risk of breaching a covenant, then the regulators would need assurance that this was being dealt with effectively.</p> <p>5. <i>(Development)</i> – AJ felt that it would be useful to comment on whether the developing association delivered on budget in their past developments.</p> <p>The group felt that the 'funding requirement' paragraph should be expanded to include treasury management, commenting on immediate access to funds (being able to draw down), i.e level of secured assets and any potential impairment issues. EH suggested using the wording around impairment from SORP.</p> <p>7. <i>(Welfare Reform)</i> – TW highlighted that in terms of consistency and clarity that the wording 'are reasonable' be used to replace 'not reasonable' in the last sentence.</p> <p>8. <i>(Other financial Risks)</i> – The group felt that this should also cover diversified activities, supporting people and any defined benefit pension scheme.</p> <p><i>Page 5 – Sources of Information</i> The group felt that internal audit reports should be added to the list of sources. TW felt that given the new approach, the wording 'as part of the Financial Viability Judgement process' should be removed from the last sentence.</p> <p>AJ felt that this report was a massive improvement from the previous version.</p>
	<p>Actions</p> <p>19. NH to consider feedback from both the RAG & FAG when finalising FVJ report.</p>

7.	Verbal update on Sector Tenant Survey DSM informed the group that Ceri Breeze, Head of Housing Policy, is part of the sub group looking at the Sector Tenant Survey. The tender process is currently underway and being administered by CHC. The successful tender will be made known to the advisory groups. Questions used within the survey are based on the STAR methodology. It is hoped that work on this will begin early 2014 and that the timetable for implementation will sent out in the next regulation newsletter and via CHC.
8.	Verbal update on action plan for sector study on governance DSM informed the group that the Learning and Development Advisory Group are looking at this action plan as part of their remit. GJ informed the group that the recommendation table (appendix 1) format was agreed at yesterday's meeting and is to be populated and finalised by the group by 6 December 2013. A final copy is to be sent to the RAG and FAG following this date.
	Actions 20. Final action plan for sector study on governance to be provided to the RAG & FAG following 6 December 2013.
10.	Date of next meeting – 8 January 2014 The group asked for confirmation that the next meeting was to be held on 8 January 2014. TW gave apologies as he will be unable to attend the next meeting.
	Actions 21. HW to confirm next meeting date.

Meeting closed at 12:35

No.	Action	Member responsible	Target Date
10.	Further discussions needed in regard to the collection of baseline data (much of which could be drawn from the existing global accounts) from which to begin an exercise of assessing where associations stand in relation to the sector risks identified, and in relation to their own specific risks identified by the baseline data.	All	TBC
15.	Communication paper – Networks to recognise liaison with the CML group.	Carol Kay	TBC
16.	DSM to look at wording in both sections 3.7 & 9.	DSM	TBC
17.	DSM to insert commentary relating to 'compounding risks', global accounts, Section 2.62-2.65, Section 2.67, Section 2.69 and Section 2.70-2.72 in the sector risk profile.	DSM	
18.	Group members to provide feedback directly to DSM by Monday 25 November 2013.	All	25/11/2013
19.	NH to consider feedback from both the RAG & FAG when finalising FVJ report.	NH	
20.	Final action plan for sector study on governance to be provided to the RAG & FAG after 6 December 2013.	LDAG	06/12/13

21.	HW to confirm next meeting date.	HW	21/11/2013
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