

Finance Forum Notes – 17 May 2016

1. Welcome and introductions

2. Review of Actions point from 23 February 2016

- CHC To commission Finance Advice by end of March – Done
- CHC to share Mazars guidance on Assets & Liabilities register – Uploaded to Yammer
- Sarah Cole to take back views and examples to CML re lenders comments – Done
- Steve Evans to raise concerns about the proposed changes to the format of CHC Forums and Networks – CHC have agreed that the Finance Forum will stay in its current format and not be affected by the proposed changes.
- Notes from the Altair event to be uploaded to Yammer – Done
- Stuart Epps to upload notes from meeting with Peter Hughes and Tim Blanch on the Principality Social Bond to Yammer – Done
- Steve Evans to distribute online registration for the work that has been completed by the Wales Data Unit on the Global Accounts – Done
- Steve Evans to invite new members to sign up to Yammer – Done

3. Welsh Government Updates, Naheed Hussain and Zoe Weaver

- **Housing Finance Grant 2,**

Update from the Steering and Finance group meetings provided as part of the Agenda.

HFG Steering Group Meeting 24 Feb Agreed will use SHG formula for distribution of HFG to LAs. Will reissue surveys to LAs to ascertain their interest in participation. Recognised that LSVTs have challenges with existing lenders in obtaining new borrowing. WG may consider extending the scheme from 3 to 4 years for property completions. Strong in-principle agreement to merge HFG and SHG going forward and working group to be set up including RSL representatives. Option of HFG to fund LCHO being considered by Welsh Government.

HFG Finance Group Meeting 10 March Agreed there was a desire to consider approaching EIB through an aggregator (such as THFC). Recognised a need to match fund EIB as EIB will only provide 50% funding. Match funding options considered include PWLB access via

LAs and also Welsh bond/private placement using the aggregator. Agreed to explore WG providing credit enhancement e.g. guarantee, ISRF. WG expressed potential state aid reservations in terms of providing a guarantee. To be progressed. Agreed to appoint treasury advisor (Steve/Naheed to take forward).

Cross functional group to be set up between HFG and SHG Groups – Timescale June 2016

WG looking into a possible National Shared Ownership scheme.

ACTION: Naheed Hussain to share WG milestones to be achieved by 2017-18

ACTION: Steve Evans and Stuart Ropke to speak about potential 'State Aid' clawback of HFG2

Important that the sector engage in SHG to ensure that the increase in funding from £70 million to £120 million is utilised.

- **Land For Affordable Housing**

£19 million used by the sector in 2015-16

Additional £10 million made available for 2016-17, with the potential that this could increase as there may be some slippage from 2015-16.

Contact Vanessa Brooks for further details

- **Regulation Update**

New style of PFR's have been distributed – small changes made, comments and questions to be sent to the regulation team. To be returned by 31 May 16

Assets & Liabilities Register – WG require no strict format. Mark Potter commented that the process was organisation wide and not just a finance function.

See Mazars Trent & Dove Housing report

ACTION: CHC to assist providing a welsh report aligned with Campbell Tickell Assets & Liabilities document

ONS Reclassification is a top priority for the regulation team, they are working on how the sector can get out of it.

CHC have commissioned Devonshire's for ongoing legal advice.

Financial Viability Judgements to be published by end of June 16.

Forum Representative Feedback

- **CML Welsh Government liaison meeting – Sarah Cole**

Notes from the meeting were included in the agenda of the meeting and posted on Yammer.

CML - 14th April 2016 Meeting

Topics discussed.

Success of Help 2 Buy with WGov.

CML and WGov interest in provision of consistent model for shared ownership, including variants for existing homes, equity release.

What homes are required in areas of market failure and how best to support them? Valuation seems to main issue here.

What likely impact will new legislation have on PRS and need for more homes? Unknown needs to be monitored.

Political manifesto promises on housing sector. Encouraging support for affordable homes across parties.

Deadline for WHQS 2020. What next for development of WHQS?

Sustainability and fuel poverty.

Complex cases – restricted matter.

Changing covenants - net worth gearing to historical cost or no gearing required?

Time ran out for FRS102 discussion but document circulated

- **Rents steering group – Stuart Epps**

Meeting held on 9 March, next meeting 18 May 2016

Purpose of group to set up a rents and service charge standard and rents policy.

Draft Rents Standard will be sent for consultation during May

Next meeting will discuss the service charge standard which will be modelled on the English version.

CHC to push to stop rents being regulated. Need to look at the Scottish model.

It is expected that the steering group will morph into a group to influence rent policy going forward.

ACTION: Steve Evans to discuss with Stuart Ropke the forum's concerns of the lack of Development people on Steering Group.

- **Regulation Advisory Group – Stuart Epps**

Advisory Board has been set up, topics for discussion, VFM, Reclassification and Self Evaluation.

Concerns expressed about poor quality of self-evaluation by some organisations

Another meeting being held in 2 weeks.

4. Value for Money is coming

- Stuart Epps and Zoe Weaver provided feedback from the meeting held on 25 April. All CHC Forums talking about VFM, Housemark report was circulated.
- CHC to do similar report from a Welsh perspective.
- VFM, next Welsh Gov priority, after reclassification
- VFM to be led by the sector with Welsh Gov assisting
- Suggested view of VFM by Debbie Green ‘ **Efficiency, Services to Tenants, the wider value to the economy.**

Forum primarily tasked with strand 1; **Efficiency**
(can't be looked at solely in isolation)

- WG view – ok to have different strategy as long as Boards take ownership of it.
- 1st Steering Group meeting will be held in June
- Quality information will be required from organisations

ACTION: Finance Forum tasked with defining the Efficiency strand

- Questions posed for afternoon discussion

5. Lender's view of the Sector – Alison Johns, Barclays

Powerpoint presentation uploaded to Yammer

Afternoon Session

6. Breakout session discussion questions

Flip Chart notes

- 1) Work with Housemark, why reinvent the wheel? subtitles' of definition
A lot of effort, overly complicated, which ones are relevant?
12 months to process
Not enough to compare against
Positive view – Housemark definitions are clear
4 quartiles graph – useful for VFM based on trend data
Credibility of data?
Scottish Housemark report misses link for Government
What do pay masters want to see?
Board choice vs Consumer Choice?
Sustainable Community Value
What do we use the data for?
Figures reconciled currently to accounts
Could we have a light version?
What deal could Housemark offer?
- 2) Work with Data Unit, use Global accounts and subset data, utilise Housemark definitions
Value Wales toolkit?
Who else collect data?
Need clear definitions & agreement, otherwise same problem as Housemark
Show continuous improvement year on year
Figures need context
Split I&E and Bal Sheet for all group members
Additional data collection as part of Global accounts
Standard Brix report? – Capital commitments
- 3) What are the key metrics for EFFICIENCY? How many?
Non Social Housing
Social Housing – Management, Reactive, Major Repairs, Bad Debts, Components, Development
Costs per unit (+ how do we breakdown)

Asset management strategy
Non social housing – Social benefit
Interest margin
Staff cost – breakdown in global accounts return
CEO/cost per unit
Cash flow indicators
Effective use of Public money & Assets
Cost of Development
Cost of Borrowing
Service Charges – Cost/ Procurement/ Service cuts
Figures that tell a story
Arrears collection – split by organisation
Use indicators for HSG not Group
Internal trends
Cost per unit – Management, Maintenance
Housing Mgt – Housmark, Overheads – Housemark, Maint & Dev –
Housemark
Treasury mgt – Global Accounts, Overall performance – Global Accounts

- 4) Publication of results – How to? Quartiles, Trends, to avoid league table approach
High level overview that prompts discussion
Measures growth over time
Data needs to be up to date and easy to collect
What is the key driver for WG?
Use Global accounts earlier to feed into corporate planning
How do we measure plans moving forward?
Need to separate care
Need to ensure that we compare like for like

- 5) Link to Community benefit Toolkit, is this the right place?
Link to WG requirements

- **Land for Affordable Homes**

Submit when arise, more flexibility, +ve feedback, recycle money to increase size of pot

Thoughts and comments should be sent to Steve Evans or Sarah Cole via email or yammer discussion and they will be passed onto Vanessa Brooks.

Consensus of both Groups

- High level
- Use data from Global accounts with subset data
- Split staff costs into different activities
- Define purpose of information, internal/external users
- Need to capture Pension details in Global accounts
- Between 10-15 indicators

Suggested Global accounts Working Group 2015-16 – Lead person Stuart Epps, Steve Evans, Claire Marshall, John Andrew, Brian Pickett. Elizabeth Lendering, Charles Brotherton and Tony Deakin.

Feedback on Data unit beta site for global accounts 2014-15 to be sent to Steve Evans

ACTION: Sarah Cole to speak to Stuart Ropke with regard to FD's method of efficiency and also a mechanism for services to tenants

AOB – Email from Tony Deakin

In preparing for our financial year-end, I have been contemplating how to meet the audit requirement that boards must take “reasonable measures” to assure themselves of compliance with “all relevant law” without undue effort. My initial response has been to contact the 3 firms on our legal framework and one of them (Anthony Collins) has responded - the comment from the partner (Peter Hubbard) that costs would be reduced if a sufficient numbers of RSLs signed up with them, can I add this item to a Finance Forum agenda to discuss please.

Forum discussion around question, several FD's showed interest

Suggestion was made to invite Peter Hubbard and Anthony Collins to the next Forum meeting