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# NOTES

## Finance SDG Meeting

**Date:** Thursday 24<sup>th</sup> October 2019

**Venue:** MRC

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### In attendance

Organisation	Name	Job title
1. Bro Myrddin HA Ltd	Rhodri Jones	Director of Corporate Resources
2. Bron Afon Community Housing	Neil Edwards	Director of Resources
3. Cadwyn HA	Samantha Daniel	Director of Finance and Resources
4. Cartrefi Conwy	Peter Lewis	Group Director of Resources
5. Coastal Housing	Simon Jones	Executive Director of Finance
6. Community Housing Cymru	Steve Evans	Assistant Director of Finance and ICT
7. Community Housing Cymru	Clarissa Corbisiero	Director of Policy & External Affairs / Deputy Chief Executive
8. Community Housing Cymru	Rhea Stevens	Head of Policy & External Affairs
9. Community Housing Cymru	Rhian Robinson	Events & Business Officer
10. Community Housing Cymru	Julia Sorribes	Member Services Assistant
11. Family Housing Association	Cerys Gregory	Executive Director of Finance, Assets & Business Services
12. Grwp Cynefin	Bryn Ellis	Business Services Director

13. Grwp Cynefin	Nia Owen	Head of Finance
14. Hafan Cymru	Julie Phillips	Head of Finance
15. Hafod HA Ltd	Gareth Yeoman-Evans	Director of Finance and IT
16. Melin Homes	Elizabeth Howard	Director of Finance
17. Merthyr Tydfil HA	Delyth Evans	Director of Corporate Services
18. Merthyr Valleys Homes	Marisa Cass	Head of Finance
19. Mid Wales HA	Charles Brotherton	Director of Finance
20. Monmouthshire Housing Association	Tony Clark	Head of Finance
21. MOR Homes	Steve Primarolo	Relationship Manager
22. Newport City Homes	Tim Jackson	Executive Director
23. Newydd HA	Elizabeth Lendering	Finance and Resources Director
24. Newydd HA	Tania Watts	Head of Finance
25. North Wales Housing Association	Jayne Owen	Finance and Resources Director
26. Pobl Group	Wayne Fox	Director of Corporate Finance
27. Pobl Group	Leanne Penny	Group Financial Controller
28. Pobl Group	Lisa Pinney	Executive Director - Resources
29. Rhondda HA	Sara Foster	Director of Finance & IT
30. Tai Calon	Marcia Sinfield	Deputy Chief Executive/Director of Resources
31. Tai Calon	Martyn Price	Head of Finance
32. Trivallis	Lynda Clark	Finance Director
33. Trivallis	Alison Yandall	Deputy Director of Finance

34. United Welsh	Amerjit Barrett	Deputy Director of Finance
35. Valleys to Coast	Claire Marshall	Finance Director
36. Valleys to Coast	Sarah Prescott	Chief Finance Officer

### Online attendance

Cynon Taf Community Housing Group	Alison Williams	Director of Corporate Services
Taff Housing Association	Lynne Williams	Head of Finance

## Notes

- **MORhomes presentation - Steve Primarolo**

Slides available [here](#).

Key consideration for Welsh HAs is **level of appetite** and **when** sector want to do it. MORhomes are currently considering a deferred drawdown option.

Next steps – MORhomes are talking with Welsh Government (Naheed Hussain) - reasonable expectation nothing to be actioned before April 2020.

This model will work for LSVTs. The model is based on the HA financial statements. However may need to consider interest cover element for LSVTs, potentially adverse results.

No conversations yet with Welsh Government re: State Aid. This will be progressed 2020.

- **Regulation Update – Allister Parkinson**

There is an increased focus on **diversification** in sector. If a Group has turnover greater than 25% commercial activities then possible greater scrutiny. Stemming from PAC report. Minister mindful about HAs losing their social purpose.

What are the benefits (financial and community-wide) of doing commercial e.g. market sales? What are definitions on commercial – more about market activities, commercial. i.e. no direct social benefit. More clarity / criteria required from Welsh Government.

25% appears reasonable i.e. shouldn't affect most Welsh HAs. Communique from regulator is best way forward.

Request from Allister to ensure HA statutory accounts are accessible on HA websites.

Next year aim to use FFR report to evaluate business plans.

Going forward 'Affordability' will form part of regulation. Definition of affordability TBC – potentially based on income of tenants metric.

- **Rents**

Awaiting the announcement from Welsh Government. CHC has scheduled calls with Chief Executives to discuss.

- **SORP**

Growing pension deficit.

IFRS 16 won't hit for couple of years but will impact on social housing.

Welsh Determination - There will be a revision to it in light of post-legislation re: sector back into private sector. Timescale to review – end of March 2020. Allister wishes to convene a group to review this. TBC

- **AHF2**

Next round of AHF2 notice has been issued – it states it applies to England only. CHC have drafted a letter to Welsh Government for them to promote the Welsh case for inclusion.

- **Rent to Own**

CHC and the Rent to Own team have been working to provide RSLs with some clarity on the tax and accounting treatment for Rent to Own – Wales.

There are a few issues which clarity is required:

- Whether any gain on the sale of the Rent to Own homes is taxable and if so how?
- Whether the rental income is taxable – HMRC advice previously received by CHC strongly suggests that it is not.
- The accounting treatment of the 25% rental income which is potentially to be "gifted"/repaid to tenant if they exercise their option to purchase.
- The accounting treatment of the Rent to Own properties on the balance sheet during the rental phase and upon sale.

A small working group of FDs has met to discuss this and the Rent to Own Team has subsequently had initial conversations with a tax advisor. A formal quote from tax advisor is expected shortly. Welsh Government will keep the sector up to date via CHC and the working group.

The bigger issue appears to be whether any gain on the sale of Rent to Own homes is taxable, and so in the meantime Welsh Government are advising HAS to assume no gain and therefore no tax.

- **RAG**

No update as September meeting cancelled. Next meeting is December.

- **Global Accounts**

Agreement from the group that FFR (global hi-level) data could be included in global accounts document.

- **Value for Money**

Several workshops held in October to discuss approaches to Value for Money and to agree on priorities for the next phase of CHC's work programme.

**Objectives for the workshops:**

Identify what the sector requires to enhance and support the delivery of value for money.

Agree the key areas for support.

CHC to collate and share findings of meetings and agree a way forward for 2020.

- **Alcemi – Housing Futures Programme**

Slides available [here](#).

- **General Discussion**

**Schedule 1** - Welsh Government has ruled out any change so it's here to stay.

Need to ensure it's workable. Workshop in November and further consultation in the New Year.

**Treasury update** - Limits lowered from £10m to £5m for MORhomes, welcomed.

But its timing that's key. Credit process is straight forward. Fees are transparent. THFC are currently challenging to deal with. They are possibly over-exposed in Wales.

- **Brexit**

**No Deal Brexit briefing, October 2019**

- **IR35 - Contractors**

Rules will apply to our sector from 2020. CEST calculator on HMRC website.

- **SHPS**

Forthcoming SHPS Forum - starting to look ahead to next evaluation, less than a year away.

Quantum Advisors – potential to reduce liability, via challenge of the assumptions.

- **AOB**

Disrepair claims from solicitors. *Legal expert.co.uk*. CHC to review.

FSDG representative for ICAEW - Sarah Prescott.