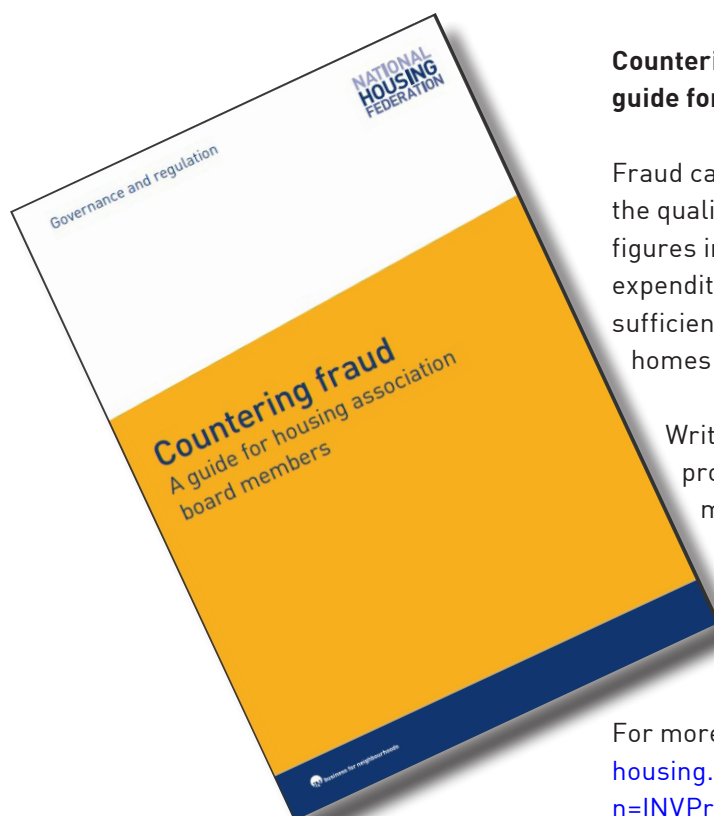


# Finance policy

## Quarterly update



# Finance policy quarterly update



## Countering fraud: a housing association guide for board members

Fraud can have a severely adverse impact on the quality of housing provision. Government figures indicate that around £600m of expenditure could be lost each year - a sum sufficient to building in excess of 4,000 new homes.

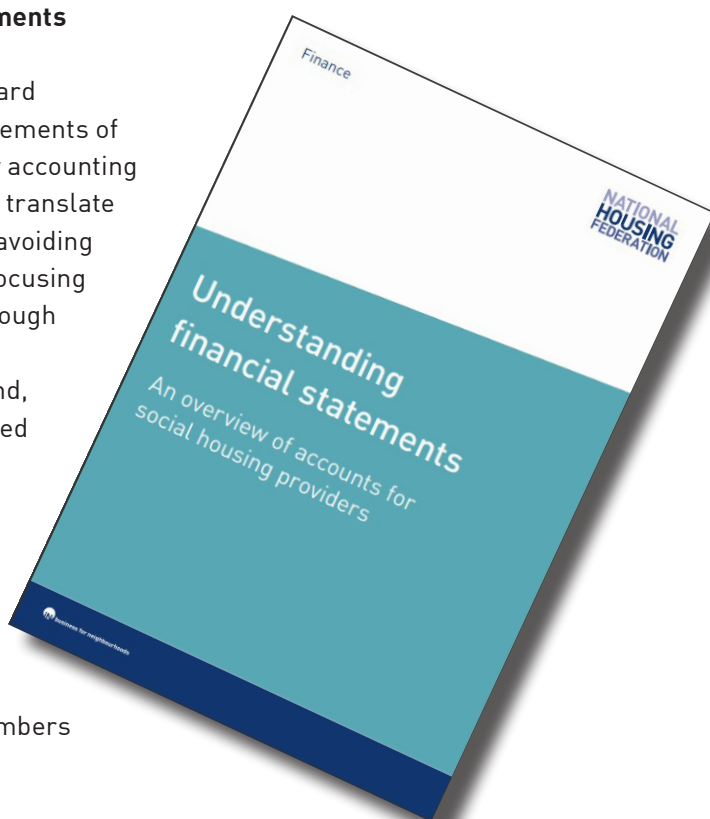
Written by counter-fraud specialists to provide advice on best practice and to meet the latest, highest standards, it is hoped this guide will help organisations achieve financial benefits and significantly reduced losses.

For more details: <https://onlinestore.housing.org.uk/Default.aspx?tabid=44&action=INVProductDetails&args=12897>

## Understanding financial statements

This book offers a straightforward explanation of the financial statements of social landlords. It explains key accounting concepts and details how these translate into the published statements, avoiding jargon wherever possible and focusing on providing the reader with enough information to enable them to understand the principles behind, and the meaning of, the published accounts.

This publication is intended to clarify some of the mystique around accounting standards so that non-accountants can appreciate the subtleties. It is essential reading for board members and those new to the sector.



For more details: <https://onlinestore.housing.org.uk/Default.aspx?tabid=44&action=INVProductDetails&args=10933>

# Finance policy quarterly update

## Contents

<b>1. Introduction</b>	<b>4</b>
<b>2. Economic overview</b>	<b>5</b>
Bank of England quarterly inflation forecast briefings	
<b>3. Treasury</b>	<b>7</b>
Moody's credit ratings sector downgrade	
Regulatory rule changes to increase bank loan costs	
Revised consumer credit licencing regime for housing associations	
LIBOR rigging, mis-selling of swaps and NBS	
Latest on Government housing guarantees programme	
<b>4. The Government's spending round 2015-16</b>	<b>13</b>
<b>5. HCA's proposals for a new regulatory framework</b>	<b>15</b>
<b>6. Welfare reform</b>	<b>17</b>
<b>7. The housing SORP 2014</b>	<b>19</b>
<b>8. Pensions update</b>	<b>23</b>
LGPS 2013 valuation	
Asset-backed funding	
Auto-enrolment	
<b>9. Taxation</b>	<b>25</b>
VAT Housing Association Partial Exemption Framework	
Corporate tax and international-style accounting	
People's tax - board member fees & IR35	
Annual tax on enveloped dwellings	
Tax helpline for Federation members	
<b>10. Risk management guide for board members</b>	<b>28</b>
<b>11. Finance conference 2013</b>	<b>29</b>
<b>12. The HANAAs</b>	<b>30</b>
<b>13. Quarterly round-up</b>	<b>32</b>
EU funding of green retro-fitting	
Financial inclusion - My Home Finance	
CIPFA's quick guide to service charges	
Countering fraud	
<b>14. Conferences and seminars</b>	<b>34</b>

# Finance policy quarterly update

## 1. Introduction

Welcome to the summer 2013 edition of the finance policy quarterly update. In it we cover a number of developments that have arisen in recent weeks that threaten to have a significant impact on housing associations' finance:

- Moody's downgrading the credit score of 29 out of the 30 housing associations it rates, highlighting its concerns over the impact of welfare reform, regulation and the rescue of Cosmopolitan
- the Prudential Regulatory Authority's proposed changes to the amount of capital banks have to hold when lending to the sector, the resulting increased bank costs and the potential impact on existing and new housing association loans, and
- the HCA's new proposals for regulating providers of social housing.

We also:

- share the Federation's thoughts and recommendations documented in our Spending Review 2013 submission to HM Treasury
- highlight the latest developments in welfare reform, including a litany of changes since April
- provide an update on the latest on LIBOR rigging, the mis-selling of swaps and developments on housing associations' loans advances by the Newcastle Building Society
- explore the latest developments with the housing SORP 2014 as part of the process to implement international-style reporting in 2015/16 and
- review current developments in pensions, including the LGPS valuations, changes to the state pension and the impact this will have on housing associations.

Dates for your diaries - we provide details of the 4 September 2013 Service Charges conference and our 23 October 2013 Housing Treasury conference. Both events will be held in London this year. See the conference and seminars section (page 34) of this update for details.

Following on from the hugely successful inaugural HANAAs event in March, we announce the countdown to the 2014 event, including competition entry details.

# Finance policy quarterly update

## 2. Economic overview

To kick off this edition, Andrew Smith, Chief Economist at KPMG, highlights the economic implications of the March Budget. To access a copy of the Federation's Budget briefing, click on the following link: <http://www.housing.org.uk/publications/browse/budget-2013>



“While more recent attention has focused on whether or not the UK narrowly avoided a triple-dip recession (it did with better than expected growth of 0.3% in Q1), the more important economic announcement came with further bad news in this year's March Budget. Only a few months after significantly downgrading the outlook for the economy and the public finances in the Autumn Statement, the Office for Budget Responsibility again got out its red pen.

Growth is now forecast at only 0.6% this year, half December's forecast, and at 1.8%, down from 2%, in 2014. The Budget deficit was pretty much unchanged on an underlying basis, but borrowing has been revised up in the medium term, with knock-on effects on the debt level and fiscal policy.

Given his self-imposed fiscal straightjacket, these setbacks left scant room for manoeuvre but, within an overall neutral Budget, Mr Osborne was able to announce:

- a further cut in corporation tax
- a new employment allowance, which particularly benefits small businesses
- boosts to infrastructure spending and the housing market, although there is some debate whether the latter is more likely to boost house prices than construction
- an increase in the personal allowance and
- cancellation of this year's rise in fuel duty.

These measures were largely financed by cuts in current spending, efficiency gains and a further clampdown on tax avoidance.

While the Chancellor is sticking to Plan 'A', or what's left of it, he has long held that 'fiscal conservatism' (tightening of Government expenditure) can be offset by "monetary activism" (money supply, low interest and quantitative easing (QE)).

What scope is there? With official interest rates at pretty much rock bottom, the Bank of England has run out of conventional bullets and almost anything it tries now is, by definition, untested and uncertain. Policy is already operating fairly flexibly, with periodic doses of QE despite consistently above-target inflation. By the Bank of England's own analysis, QE has been moderately helpful in preventing output falling further, but there have been concerns that it may be subject to decreasing returns.

If a re-charged monetary policy is to boost growth, the most likely route is by lowering the value of the pound abroad and raising inflation expectations at home. But this may be easier

said than done. Conversely, there is the risk it proves too successful, prompting an adverse market reaction.

Meanwhile, meagre growth, at best, looks set to persist as households remain weighed down by excessive debt and the Government continues to cut back. There is a small but welcome boost to public investment but hopes that exports and private business investment will come to the rescue depend crucially on overseas markets strengthening – something over which neither the Chancellor nor the Bank of England have any control. “

### Bank of England quarterly inflation forecast briefings

The Bank of England hosts very informative quarterly (February, May, August and November) Inflation Report briefings around the country which they use to run through of some of the key economic issues that affect the UK, together with their projections for economic growth and inflation. The briefings are off the record and usually allow for questions from the audience.

I'm pleased to confirm that Bank of England Agents from the UK regions listed below have indicated that they would be happy for housing associations to join their circulation lists for attendance. If your association would like to attend a Bank of England Inflation Report briefing, feel free to contact the appropriate regional agency using the email addresses below:

- Greater London: [greaterlondon@bankofengland.co.uk](mailto:greaterlondon@bankofengland.co.uk)
- East Midlands: [eastmidlands@bankofengland.co.uk](mailto:eastmidlands@bankofengland.co.uk)
- Northern Ireland: [northernireland@bankofengland.co.uk](mailto:northernireland@bankofengland.co.uk)
- North East: [northeast@bankofengland.co.uk](mailto:northeast@bankofengland.co.uk)
- North West: [northwest@bankofengland.co.uk](mailto:northwest@bankofengland.co.uk)
- Yorkshire & Humber: [Yorkshireandhumber@bankofengland.co.uk](mailto:Yorkshireandhumber@bankofengland.co.uk)
- South East: [seea@bankofengland.co.uk](mailto:seea@bankofengland.co.uk) (outside the M25 - Bedfordshire, Buckinghamshire, East Anglia, Essex, Hertfordshire, Kent)
- South West: [southwest@bankofengland.co.uk](mailto:southwest@bankofengland.co.uk)
- Wales: [ewales@bankofengland.co.uk](mailto:ewales@bankofengland.co.uk)

We are still awaiting confirmation regarding the availability of briefings in the Central Southern region of England, the West Midlands and Scotland.

The Federation contact for treasury matters is Joseph Carr, Finance Policy Leader, 020 7067 1094 or [joseph.carr@housing.org.uk](mailto:joseph.carr@housing.org.uk)

# Finance policy quarterly update

## 3. Treasury

### Moody's credit ratings sector downgrade



On 17 May 2013, Moody's downgraded the credit ratings of 29 of the 30 English housing associations it provides a rating for by a single notch. It cited a reduction in the level of extraordinary Government support provided to the sector from 'high' to 'strong'. This concluded Moody's review of the sector's credit rating, initiated in February. It followed the UK's credit downgrade, when it downgraded all associations, again by a single notch, and put the sector on a 90-day negative watch. All sector ratings have now been returned to a stable outlook.

In the May review, only the Affinity Sutton Group's Aa3 rating was preserved and Moody's confirmed that, "...this reflected the strength of its standalone credit profile, while also benefitting from a similar level of extraordinary support as its rated peers..."

Moody's stated that its revised assessment of the sector "reflects challenges for the regulator, the Homes and Communities Agency (HCA), to step in and protect entities and their creditors in extreme situations. Many of the same issues were highlighted in facilitating the long-term viability of Cosmopolitan Housing Group, ensured in a merger with Sanctuary Group. This episode served to illustrate the difficulties in ensuring a satisfactory outcome when a housing association encounters financial distress. The recent discussion document issued by the regulator on proposals to adjust the regulatory framework leads Moody's to be more cautious in its assessment of the likelihood of timely government action."

The National Housing Federation feels Moody's decision to downgrade the sector was unfortunate but not an altogether unexpected development given the concerns Moody's expressed about welfare reform and regulation.

The Federation does not believe Moody's views paint a true picture of the sector - during 2012, housing associations sold almost £4bn of bonds to the capital markets and have continued to raise finance in that way during 2013. In addition, since Moody's announcement, there has been no significant change in the resale price of housing association bonds being traded in the secondary market. This demonstrates that despite Moody's misgivings, housing associations are stable and robust businesses that continue to instil confidence in investors and attract finance at competitive rates. We're confident that the sector will continue to display its financial strength over the next few months and show that it is one of a few safe bets in an uncertain economic climate.

For a copy of Moody's credit risk assessment of the sector, click on the link:

[http://www.moodys.com/research/Moodys-downgrades-29-English-housing-associations-outlook-stable--PR\\_272724](http://www.moodys.com/research/Moodys-downgrades-29-English-housing-associations-outlook-stable--PR_272724)

## Regulatory rule changes to increase bank loan costs

### Background

The Prudential Regulation Authority (PRA), the new regulatory body for banks following the abolition of the Financial Services Authority (FSA), recently consulted ([CP4/13 Credit risk: internal ratings based approaches](#)) on a proposal to increase the amount of capital banks need to hold against certain loans. This in turn will increase their cost of funds and so could impact significantly on housing associations' borrowing costs.

### Proposal

CP4/13 sets out the framework for the levels of the Loss Given Default (LGD) used by banks to calculate the amount of capital that needs to be held, which are the same as currently in operation. But for some banks, the LGD for social housing has been determined as the equivalent of individual residential mortgages with a LGD floor of 10%. However, the PRA is now reviewing this to ensure it meets the overall objectives of ensuring that banks have sufficient capital in line with the international set of rules on banking regulations set out in the Basel III accord.

LGD is a parameter used in the calculation of regulatory capital under Basel II for banks to determine the risk weighted assets (RWA). A lower LGD will result in a lower RWA and require lower capital requirements for the bank.

Banks have two internal ratings based (IRB) approaches to LGDs:

- the foundation approach - this is the more basic method with the bank using LGDs set by the PRA as a minimum. These are not changing, and
- the advanced approach - the bank itself determines the appropriate LGD to be applied to each exposure (agreed separately with the regulator), on the basis of robust data and analysis.

The advanced approach is typically applied by lenders to low default portfolios, such as organisations linked to sovereign - housing associations are a good example of this. Given that there is no data available on losses in the social housing sector, as there have been zero defaults resulting in actual losses, the banks' calculated LGD weightings are very low. In fact, in 2007 the FSA advised banks using the advanced approach to use an LGD of 10% for social housing portfolios. This resulted in low capital adequacy requirements for housing association loans.

In this post-credit crunch, Basel III era, the PRA is seeking to increase the amount of capital banks using the advance approach set aside for housing associations loans - increasing LGD weightings to 35% for secured debt and 45% for unsecured debt. This is to apply to both new and existing loans.



## Potential impact

- Not all banks will be impacted as many use the Foundation approach (e.g Lloyds) or have non-UK capital regulations (e.g Dexia) which are not changing. There are three banks that use the advanced approach for the social housing sector, with facilities totaling circa £30bn - Barclays (£11bn), Santander (£10bn) and RBS (£9bn).
- Banks may have the right under the increased costs clause in most housing association loan agreements to re-price the loan based on changes to regulation such as the higher LGD floors. It is unclear for the reasons below how banks will react to these increased costs. However, a 1% increase in costs on the £30bn debt, for illustration purposes, would increase the cost of the sector's bankers by £300m per annum. The uncertainty here is whether:
  - the majority of debt was raised when the LGDs were similar to the proposed levels so it may only affect the post-2007 bank debt which is likely to be less than £10bn after refinancing
  - some facilities include wording which acknowledges that the loan margin is based on a similar RWA level to that currently being proposed. On this basis the bank would not be able to invoke the clause and
  - the banks may be concerned about the risk to their reputation by increasing the loan margins in this sector, especially given that their methodology is unclear.

The banks have suggested that that an increase in borrowing costs should not be regarded as an automatic response to these changes. However, they have suggested that the more likely scenario is that they will have less latitude to manoeuvre on re-pricing historic debt when approached by housing associations seeking to merge or reorganise group structures.

We understand that one of the sector's banks has already agreed a revision to its IRB approach with the PRA and the remaining banks are set to have similar discussions with the PRA in the next six months or so.

## Next stages

The Federation has submitted an initial response to the PRA's consultation and discussions are ongoing. In mid-May David Orr, Chief Executive of the Federation also raised the issue with Danny Alexander, Chief Secretary to the Treasury. The ultimate aim for the sector is for the PRA to direct banks to retain the 10% LGD weighting for housing associations.

## Revised consumer credit licencing regime for housing associations

HM Treasury and the Financial Conduct Authority (FCA - previously part of the FSA) issued the first set of consultations on the process for moving consumer credit regulation from the Office of Fair Trading (OFT) into the FCA. This transfer is due to take place on 1 April 2014.

The existing consumer credit legislation requires all businesses which carry out consumer credit activity to have a licence for the relevant activity. Although the legislation is not primarily aimed at housing associations, there is an increasing amount of consumer credit activity within the housing market. The most notable activities that housing associations undertake that fall under the legislation are equity loan arrangements and debt advice, which many associations provide as part of a budgeting or money advisory service. The Federation issued joint guidance with the OFT on the full range of housing association consumer credit activity in 2010. Click on the link to download the guidance: <http://www.housing.org.uk/policy/finance/assurance-risk-regulation/consumer-credit-license>

At present, housing associations are able to apply and hold a licence without significant additional regulatory burden or cost. However, if the current proposals are implemented as proposed, this is likely to change. Housing associations will be required to be FCA authorised and comply with the significantly more rigorous application and compliance process in order to continue to carry out existing consumer credit activity. This is likely to increase the time and expense associations will need to invest in order to comply with the new regime.

An interim period will apply between April 2014 and April 2016, where existing Consumer Credit Licence holders will be able to apply to transfer their existing licences to the FCA without undergoing the full application process for a proposed fee of £350. However, from April 2016, interim permissions will need to be converted to full registration with the FCA by following the required registration process.

Trowers & Hamlins (who specialise in social housing) submitted responses to the consultations which set out their concerns with these proposals and demonstrate why we consider this to be a disproportionate level of regulation for housing association activities. Click on the links to read the consultation responses:

[http://www.publications.trowers.com/hm\\_treasury\\_consultation\\_response.pdf](http://www.publications.trowers.com/hm_treasury_consultation_response.pdf)

[http://www.publications.trowers.com/fsa\\_consultation\\_response\\_form.pdf](http://www.publications.trowers.com/fsa_consultation_response_form.pdf)

Although the consultation deadline has now closed, housing associations are encouraged to lobby HM Treasury to address some of these concerns and seek a lower level regulatory regime for housing associations operating on the periphery of what is the existing consumer credit regime. Trowers & Hamlins continue to monitor the position and will keep the Federation updated on progress with the proposed regulatory changes.

## LIBOR rigging, mis-selling of swaps and Newcastle Building Society

Philip Barden and Gareth Hall, partners of the law firm Devonshires, provide an update on progress with, and impact of:

- LIBOR rigging and the mis-selling of swaps and
- the Newcastle Building Society

on housing associations.

## LIBOR rigging and the mis-selling of swaps

“Whilst we all know that individuals within leading banks manipulated the London InterBank Offered Rate (LIBOR), we still do not know the level of complicity within the banks. Were these a few rogue traders or individuals within a cartel-fixing arrangement? The lack of available evidence makes such analysis impossible, hence the lack of claims.

The fines so far handed out have been an eye-watering £290m for Barclays (which now looks like a good deal), £390m for RBS and \$1.5bn (approximately £1bn) for UBS. Others will follow and the Serious Fraud Office is conducting a criminal investigation, which will prevent a public enquiry. However, a public process such as an enquiry is what is needed to establish the truth, as only then can liability be quantified for all, not just the few who either qualify for the Financial Conduct Authority (FCA) scheme or can risk hugely expensive litigation.

The Government, through the FCA, implemented a bank-led compensation scheme that is targeting mis-selling claims. This scheme has its detractors as it is not straightforward, but it should be pursued where possible because litigation is expensive and uncertain. It has been reported that banks have reserved £2bn against future claims.

Court claims within the UK are so far limited to two reported cases. In both cases the corporate claimant is challenging swap fees and breakage costs (see for example *Graisely Properties v Barclays*). There are also cases in both the US and Germany (see *Unitech v Deutsche Bank AG*).

The principle difficulty with LIBOR rigging claims is establishing whether the claimant suffered any loss. At times rates were increased and at other times depressed so losses related to mortgage rates linked to LIBOR may be hard to track – although a number of US mortgage lenders have commenced a class action on the basis that they lost due to the bank’s depressed rates. The evidence is that Barclays did seek to depress rates following the financial crisis (2007/9).

The area where it is easier to quantify loss is in swap transactions, where banks sold swaps to hedge against the very interest rate rises that were manipulated and in some cases increased, during the period from 2005 to 2007. Swaps were unsuitable for many organisations as the risk of increased cost and breakage fees were not explained. The FSA put the mis-selling at a staggering 90% of products sold in this time period.

Housing associations whose loan interest rates are linked to LIBOR are perhaps unlikely to want to take action against their lenders, as rates have been at an historic low and have been further depressed by banks. On the other hand, those associations that entered into interest rate derivatives from 2005 to 2007 may well be able to show that hedge transactions they have entered into reflected manipulated rates which have caused them loss.”

## The Newcastle Building Society

Meanwhile the fallout from the FSA's Liquidity Regulations continues. Newcastle Building Society is continuing to claim increased costs as a result of the regulations forcing a change in investments. 20 housing associations in two combined action groups are opposing the increase and KPMG are providing expert evidence. The matter is not yet finalised despite there having been a resolution process. The Bank of Ireland recently increased its mortgage rates on the same basis.

The argument is that the FSA's regulations meant that the lenders had to invest in lower yield assets. These were by their very nature more liquid and secure and so the counter argument is that such investments were prudent in any regard and, over time yields and risk balanced out. The more risky the investment, the more likely there will be a loss as holders of Greek Government bonds now know.

## Latest on Government housing guarantees programme

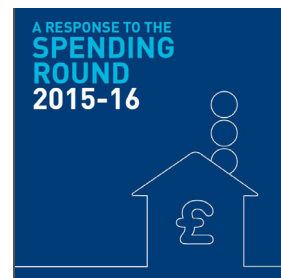
The Chancellor set out in the Budget some changes to the funding and arrangements to the housing guarantees programme which was originally announced as part of the September 2012 growth package. Funding has been doubled to £450m and housing associations have the flexibility to complete homes by March 2017 instead of March 2015, but all homes must have been started by March 2015. The deadline for the submission of bids closed on 21 May 2013.

To download a briefing on the Guarantees Programme click on/follow the link:

<http://www.housing.org.uk/publications/browse/affordable-homes-guarantees-programme-framework-2013-15>

The Federation contact for treasury matters is Joseph Carr, Finance Policy Leader, 020 7067 1094 or [joseph.carr@housing.org.uk](mailto:joseph.carr@housing.org.uk)

### 4. The Government's spending round 2015-16



The Government's 2015-16 spending round will be announced on 26 June 2013. The Federation has been working with key politicians and civil servants to influence the direction and content of the spending round. We have conveyed our recommendations and offer for the next spending period as set out in our submission to Government. Click on the link to download a copy of our submission: <http://www.housing.org.uk/publications/browse/spending-round-2015-16-submission>

In the submission we make the case for investing in affordable homes, not only to tackle the growing housing crisis, but also that it has a fundamental role to play in:

- economic growth, including the green economy
- boosting the number of new homes across all sectors
- improving employment mobility and
- improving health outcomes and reducing health costs.

We made a series of recommendations to increase housing supply and get the economy moving:

#### **I. Invest in affordable housing as an economically valuable industry**

- recognise the building of affordable housing as an 'economically valuable' activity and offer an investment programme longer than the 2015-16 spending year and
- invest £2bn a year to deliver 55,000 to 65,000 new affordable homes, within a wider programme of investment-boosting measures.

#### **II. Certainty – vital for future borrowing**

- give housing associations and their lenders clarity and confidence over long-term income streams by confirming that social rents will continue to be set by the existing rent formula, increasing by RPI + 0.5% (+/- £2) for the next ten years.

#### **III. Understand the impact of current welfare reforms before considering further spending proposals**

- exclude social security spending from the cap on Annually Managed Expenditure (the amount of Governmental expenditure relating to non-capital items, eg welfare) as an unacceptable risk to the economic and social stabilisation it offers.

#### **IV. Reforming health investment**

- invest at least £300 million in capital investment for new, and remodelled, supported and specialist homes for older and vulnerable people

- incentivise investment in preventive services – unlocking small proportions of spending on acute care to deliver early-interventions in the community and
- maintain Disabled Facilities Grant funding in real-terms to enable the vital home adaptations that assist disabled and older people to live independently in their own home and reduce demand on health services.

### **V. Single local growth fund**

- Government capital investment in social and affordable housing development should continue to be administered at a national and London level (through the HCA and GLA respectively) and
- Government should assess the suitability of other housing funding streams for inclusion in the Single Local Growth fund (known as the ‘single pot’) based on whether it would deliver better value for Government and taxpayers and deliver the housing this country needs.

### **VI. Making public investment go further**

- fast-track the release of small parcels of public land
- encourage the release of surplus NHS land
- extend the affordable homes guarantee programme beyond 2017 and allow it to be used for refinancing
- extend the guarantee scheme for both building and re-financing
- make better use of Recycled Capital Grant Fund (RCGF) for estate regeneration and refurbishment
- reduce the VAT rate from 20% to 5% for the repair, refurbishment and renovation of affordable housing and
- retain the right for housing associations to manage their assets.

The Federation’s contact is Adam Morton, Policy Officer, 020 7067 1077 or [adam.morton@housing.org.uk](mailto:adam.morton@housing.org.uk)

# 5. HCA's proposals for a new regulatory framework



The Homes and Communities Agency (HCA) has launched a discussion document on the proposed changes to the existing regulatory framework. Email [consultation@hca.gsi.gov.uk](mailto:consultation@hca.gsi.gov.uk) to access a copy.

The Federation's response to the discussion document: <http://www.housing.org.uk/publications/browse/protecting-social-housing-assets-response>

## The HCA's proposals

Jonathan Dwyer, head of private finance at the HCA has outlined the HCA's proposals.

"The regulation of any sector has to keep pace with the changes in the operating environment. The HCA has now opened the debate on how some key areas of the social housing sector should be regulated as it becomes increasingly diverse.

The HCA has published a discussion document, inviting feedback on proposed changes to its regulatory framework. The proposals are designed to maintain effective regulation of registered providers and protect social housing assets and their public value in a more complex and risky operating environment. This is for the benefit of taxpayers, lenders and tenants. It also provides the preconditions for further investment and asset growth.

In the aftermath of the credit crunch, the sector's operating environment has developed rapidly. The sector used to rely on substantial levels of government grant for new development, housing benefit underwrote a significant portion of rental income in full, and banks provided long term debt on low margins. None of these certainties will continue, potentially leading to consequences for both providers and the regulator.

Partly in response to these changes, providers are adopting a wider range of business models, including commercial operations and more complex structures, creating different risks to manage. The number of new for-profit companies registering to provide social housing is also increasing.

We are specifically seeking views on changes around:

- the ring-fencing of social housing assets to ensure that they are sufficiently isolated from potentially riskier non-social housing activity
- consents to dispose, to ensure that the public value of social housing assets is adequately captured and
- recovery plans to support risk management.

We are pleased to see that the discussion document is provoking an important debate within the sector. Through this discussion and subsequent consultation we are not just looking

at the next two or three years, but rather the next decade or more. If providers don't start structuring themselves appropriately now, then the issues will be more difficult to deal with later. And, while there is certainly a short-term tension between our protection of social housing assets and provider's 'freedom' to raise funding for new supply through non-social housing activity, it is not an either or situation.

The proposed changes are not about stopping registered providers diversifying into new types of business or undertaking activities which carry a risk, rather they are about ensuring that such activities and risks are structured in a way that protects social housing assets and, by extension, the interests of funders, tenants and the public value invested in them by the taxpayer.

As with most things there is a balance to be achieved, and that's exactly what this discussion document is designed to establish, so that when we come to the formal consultation document it will be a much more developed proposition.

Feedback from the discussion will inform a formal consultation document, which when published, will be subject to a statutory 12 week consultation period."

### The Federation's view

This paper has generated considerable discussion in the sector and a good deal of controversy. To start with the common ground, the Federation agrees that it is important to protect social housing assets and welcomes the regulator's commitment to co-regulation and the avoidance of unnecessary interference in providers' affairs.

The erection of ring-fences between "core" and "non-core" activities, and their separation into different entities, are likely to remain common business practices within the sector. But, to require them as standard, is counter to many associations' business models. Moreover, it would make it more difficult to finance the non-core activities on which members increasingly rely to develop.

The HCA paper underestimates the problems involved in creating an effective ring-fence, which would require, among other things, a water-tight definition of what is "core" and "non-core" and the detailed regulation of transactions between parts of a group lying on opposite sides of the ring-fence.

The Federation argues that the assurance the regulator requires about the protection of social housing assets can be provided by other mechanisms that are less disruptive to established business models. Providers should be required to plan for the possibility that a part of the business may fail and should ensure that in this event the social housing assets will not be put at risk; and provided this is done in a robust way (including external validation where necessary), it should give the regulator the assurance it needs.

The Federation's contact for regulation is John Bryant, policy leader, on 020 7067 1082 or [john.bryant@housing.org.uk](mailto:john.bryant@housing.org.uk)



# Finance policy quarterly update

## 6. Welfare reform



April saw the introduction of:

- the Bedroom Tax
- the overall benefit cap in four London boroughs
- the replacement of social fund grants and loans with local welfare assistance programmes administered by local authorities
- the abolition of council tax benefit, which has been replaced by local council tax reduction schemes,
- the beginning of the roll out of Personal Independence Payments, which will replace Disability Living Allowance, and
- the start of the Universal Credit Pathfinder in the North West.

### Impact assessment

As part of the Federation's work to monitor and evaluate the impacts of welfare reform on our members and tenants, Ipsos MORI and the University of Cambridge are carrying out a sector-wide assessment on our behalf.

Following the release of the [first report in January](#), two further reports have been published and are now available to Federation members:

- [Report 2: Welfare reform and housing associations – Intended and unintended consequences?](#) is a Cambridge University case study survey based on in-depth interviews with 15 housing associations and
- [Report 3: Impact of welfare reform on housing association tenants – baseline report](#) is a tenant-focused report combining new data from the survey of housing associations last autumn and new in-depth interviews with tenants.

Over the course of the next year, follow-up interviews will be conducted with housing associations and their tenants when the impact of changes are known and can be compared with the baseline these reports provide.

In addition to the work carried out by Ipsos MORI and Cambridge University, the Federation will be carrying out surveys of housing associations to produce a snapshot of the early impact of the Bedroom Tax and benefit cap on landlords and tenants.

### Direct payments

The direct payment demonstration projects have been extended for a further six months and will now run until the end of the year. The Federation welcomes the extension as the projects provide vital evidence of the systems that need to be in place before the rollout of Universal Credit.

The Department of Work and Pensions (DWP) has also released further information on the payment and arrears levels across the projects. This report covers the first nine months of direct payments and shows an average collection rate of 94%, ranging from 91% to 97% across the projects - read the full report (<http://www.dwp.gov.uk/docs/a13-2013.pdf>)

A recent housing benefit circular from the DWP confirmed that, under the Universal Credit Pathfinder, an automatic trigger will be set at two months to switch the payment of the housing element of Universal Credit to the landlord. The trigger only applies to the operation of Universal Credit in the North West pathfinder. The final design of the trigger for the national rollout of Universal Credit has not yet been decided.

### Universal Credit

The first Universal Credit claims have been made in the North West Pathfinder. On 29 April 2013, Ashton-under-Lyne became the first Jobcentre to start accepting claims for Universal Credit. Wigan, Warrington and Oldham will take claims for Universal Credit from July 2013.

We are seeking to understand the experiences of social landlords in the pathfinder areas to ensure that the learning is available to be fed into the plans for the national rollout of Universal Credit.

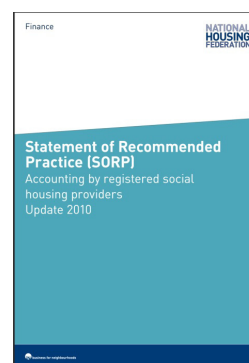
The Federation's contact for welfare reform is Pippa Bell, Policy Officer, on 020 7067 1174 or [pippa.bell@housing.org.uk](mailto:pippa.bell@housing.org.uk)

# Finance policy quarterly update

## 7. The housing SORP 2014

The transition of housing association financial statements to the new international-style reporting framework of Financial Reporting Standard 102 (FRS 102) draws ever closer. This is evidenced by the fact that the initial consultation on the housing Statement of Recommended Practice (the housing SORP) closed on 17 May 2013. In this edition, we consider:

- the timetable for publication of the housing SORP 2014
- the implementation process, including resource requirements and likely costs
- what housing associations should be doing now to prepare for these changes and
- loan covenant compliance under the new accounting regime.



### Timetable

The Invitation to Comment (ITC), which was issued for consultation, focussed on key elements of the housing SORP affected by FRS102. Without the housing SORP 2014, it will not be possible for housing associations to adopt the more general accounting requirements of FRS 102. The housing SORP translates the requirements of FRS 102 to reflect nuances of the housing association business model. The guidance in the housing SORP has been redrafted over the last two years in parallel with the developments of FRS 102.

Some 140 organisations have responded to the ITC and the responses are being analysed for review by the SORP Working Party on 18 June 2013. The comments received will influence guidance in the SORP and the SORP Working Party will produce an Exposure Draft of the full housing SORP for review the committees of the Financial Reporting Council (FRC) - the UK accounting standard setters - over the summer and early autumn. If things go to plan, the Exposure Draft will be issued for a further three-month formal consultation from October 2013.

Subject to any further amendments, the Exposure Draft of the SORP will be subjected to further review and scrutiny by the FRC and its committee. The SORP Working Party is planning to publish the SORP by March 2014, to coincide with the Federation's Annual Finance Conference 2014 (19 – 21 March 2014, Warwick University). However, the Working Party acknowledges that the timetable is very ambitious and reliant upon significant progress at key stages of the process over the summer and early autumn.

### Implementation

Housing associations will adopt FRS 102 and the housing SORP 2014 for all accounts commencing on or after 1 January 2015. This will mean that for the majority of housing associations the first year of adoption will be for financial statements ending 31 March 2016. In addition, housing associations will need to restate their prior year accounts for comparison

which, for March year end housing associations, will be the balance sheets for 31 March 2014 and 31 March 2015. The first of these is now less than 10 months away (seven for those housing associations with December year ends - the first to adopt FRS 102).

These changes will impact significantly on:

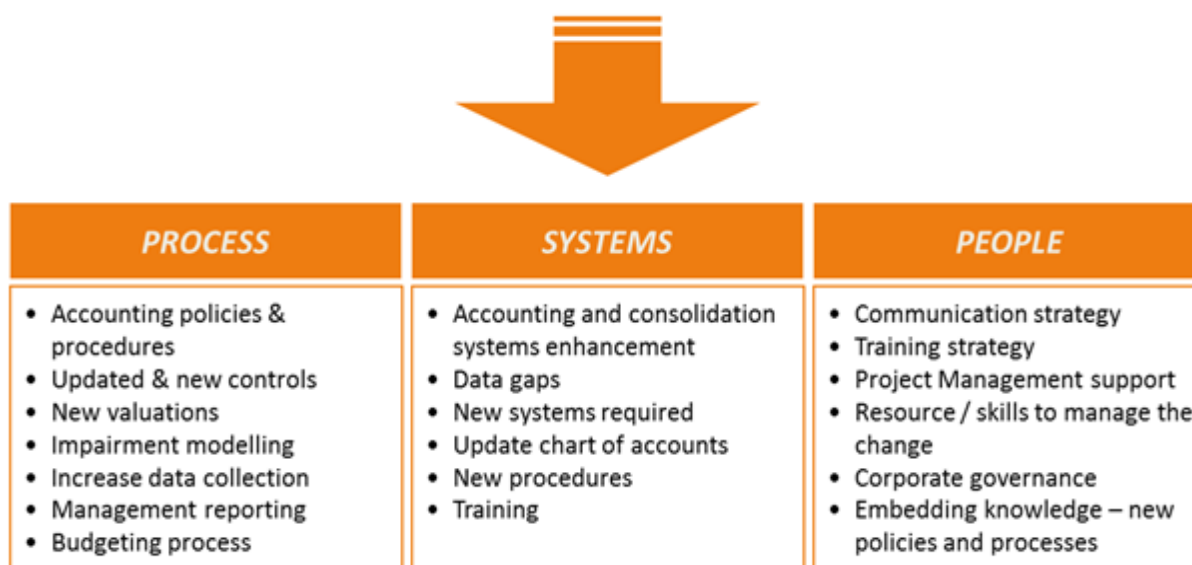
- the format and content of audited financial statements
- the information produced by finance teams for the rest of the organisation and boards, including budgets and management accounts and
- how loan covenants are calculated and the ability of housing associations to comply with traditional loan covenants.

To assist housing associations with the process of converting financial statements to the FRS 102 format, the housing SORP 2014 will include a transition section specifically aimed at providing practical assistance on implementing the changes.

The conversion to FRS 102 accounting is likely to be resource-hungry and will require a detailed project plan involving significant parts of the organisation, not just finance. In 2011, when the SORP Working Party first considered this exercise, the Working Party estimated that it would cost a housing association with 3,000 homes in excess of £120,000 to implement these changes and £530,000 for a housing association with 30,000 homes. For further details of these cost estimates click on the link: [http://s3-eu-west-1.amazonaws.com/doc.housing.org.uk/Editorial/IFRS\\_implementation\\_costs.pdf](http://s3-eu-west-1.amazonaws.com/doc.housing.org.uk/Editorial/IFRS_implementation_costs.pdf). Although the UK accounting standards setter responded positively to objections raised by the sector during 2011 by modifying the standard to remove some of the more contentious issues proposed, many commentators are still of the opinion that the conversion process will be both irksome and costly. The changes may impact on the corporation tax liability of some housing associations and groups (see the tax section of this update, page 24).

Consequently, if this issue has not already been earmarked, it should be high on your organisation's risk register. The HCA has identified the impact of the accounting changes and the conversion to international-style accounting in its risk profile of the sector.

Housing association finance teams should be liaising with their auditors, establishing a project team and working with all departments (treasury, legal, HR, etc) to assess the extent of these changes. To prepare for the conversion, associations need to consider whether IT and other systems are geared up for the new accounting requirements, particularly in relation to financial instruments. For example, each existing and future financial instrument entered into will need to be classified between either basic or other – the accounting treatment and financial impact of the two are fundamentally different. You will also need to determine whether your team needs extra training or are correctly resourced (only a proportion of accountants in housing associations will have been trained under the new international-style accounting framework) and whether relevant stakeholders are prepared for the changes (board, CEO, lenders, investors, etc). The following list – which is not exhaustive – provides housing association finance teams with an indication of the breadth of the project:



Some organisations have suggested that the required changes are likely to be minimal. However, such organisations will still need to provide evidence to their auditors demonstrating that this is the case. If nothing else, notes to the accounts and accounting policy will need to be rewritten for consistency with the new accounting framework.

## Loan covenant compliance

On the conversion to international-style accounting in 2015/16, housing associations will need to change the basis on which traditional loan covenants are calculated. Without a change in the basis of loan covenants, many housing associations are likely to be technically in breach of existing covenants and something will need to be agreed with lenders ahead of 31 March 2016 financial year end to avoid potential difficulties.

Housing associations can draw some comfort from the following:

- The British Bankers' Association (BBA) view on the interaction of accounting changes with loan covenant breaches is cited on the FRC's website at <https://www.frc.org.uk/getattachment/d143ed6f-0b27-413a-9248-633c1ece37f6/Foreword-to-Accounting-Standards.aspx> and reads as follows: "The British Bankers' Association has indicated that it does not believe that problems arising from breaches in covenants consequent upon changes in accounting policies will occur frequently in practice."
- In a separate discussion between the Federation and the BBA in November 2012, more illumination was provided on the subject. The wording above which appears on the FRC's website was finalised after pre-clearing with:
  - the head of lending at each of the main banks and
  - the Better Lending Taskforce, whose role is to ensure that banks' behaviour does not frustrate lending to the UK economy.

“The line above was established by the BBA back in the 1990s when the UK had been subject to a raft of UK accounting changes. The principle of frozen GAAP was established, which stipulated that the move to/change of, accounting rules cannot in themselves create a change in the economics of a business overnight.

“Where there is an accounting rule change, banks will rely on the business conditions upon which loan covenants were set rather than the output from a formula. This might suggest that the negative impact on loan covenants of a housing association moving to, for example, component accounting should not ordinarily have created the circumstances for lenders to re-price a housing association’s loan.

However, the BBA went on to suggest that this was different from the situation where an accounting rule change sheds light on an issue which had not previously been apparent under previous accounting rules.

However, the Federation is to take up this matter with the Council of Mortgage Lenders and other key lenders to the sector over this summer. We will provide details as this issue is progressed.

The Federation contact for accounting is Joseph Carr, Finance Policy Leader, 020 7067 1094 or [joseph.carr@housing.org.uk](mailto:joseph.carr@housing.org.uk)

# Finance policy quarterly update

## 8. Pensions update

There is much housing associations need to consider on the pensions front - decisions on retaining defined benefit schemes, auto-enrolment, the administrative burden and alternative pension provision and other emotive and highly complex issues. To support housing associations in this area, the Federation has appointed KPMG as pensions advisers. The service will focus on improving the pensions environment for housing associations and providing advice - further details will follow in due course.



In this pensions article we highlight a number of issues on the horizon.

### Local Government Pension Schemes (LGPS) 2013 valuations

Actuaries around the country will now be working on the 31 March 2013 LGPS valuations and current market conditions indicate that deficits are likely to have increased since 31 March 2010. Despite strong growth in the value of investments, the pension actuaries' assessment of the deficits are likely to have risen by more - primarily due to actuaries anticipating lower future returns from the scheme assets.

The impact on employer contributions will vary between each LGPS and future service costs will be reduced to some extent by the impact of the 2014 reforms. Many associations had hoped that the proposed "cost control mechanism" would impose a cap on future employer cash requirements but this is not the case. However, only certain cost movements are taken into account and employer costs will still be determined by the actuary. Employers should prepare themselves for increased cash requirements from April 2014.

### State pension changes

The Government has recently announced that from 2016 the current two-tier state pension will be replaced by a single, flat-rate state pension.

As part of this change, the ability of schemes such as LGPS and Social Housing Pension Schemes (SHPS) to "contract out" of the state second pension will cease. This will increase costs to employers and employees in these schemes due to the withdrawal of the rebate that is currently applied. We expect employer costs to rise by approximately 2.5-3% of salaries and employee contributions to increase by 1% from 2016.

### Asset-backed funding arrangements

Over the past few years there has been an increasing trend for employers to look at ways of supporting their pension obligations in ways other than just paying in cash. This is leading many organisations to consider asset-backed funding (ABF) arrangements.

An ABF structure involves an employer using business assets to generate cash which is then paid to the pension scheme. These arrangements are complicated but can have significant benefits for employers including an immediate improvement in the pension scheme's funding and accounting position, longer deficit recovery periods and bringing forward of tax relief.

The Federation and KPMG are reviewing these types of arrangements and will keep you up-to-date with our findings. In the meantime, to learn more about these arrangements click on the link: [http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Tax/277762\\_Asset\\_Backed\\_Funding\\_Survey\\_2012\\_acc.pdf](http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Tax/277762_Asset_Backed_Funding_Survey_2012_acc.pdf)

### Auto-enrolment

The Department of Work and Pensions has issued a consultation document that could lead to a simplification of the auto-enrolment requirements in future, particularly if an employer currently enrolls all workers contractually. For details on the consultation please click on the link: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/183260/ae-technical-changes-consultation.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/183260/ae-technical-changes-consultation.pdf.pdf).

The Federation's contact for pensions is John Butler, Finance Policy Officer, 020 7067 1177 or [john.butler@housing.org.uk](mailto:john.butler@housing.org.uk)



# Finance policy quarterly update

## 9. Taxation

### VAT

#### Partial Exemption Framework



The partial exemption framework for housing associations (the framework) was issued by HM Revenue and Customs in 2010. A revised Framework is due to be published this summer and will include:

- the interaction of the Cost Sharing Exemption in the social housing sector and the potential distortion of competition
- clarification of the VAT treatment of garages supplied to tenants and non-tenants
- clarification of the VAT treatment of property repairs supplied, particularly at the end of their tenancy
- a description of the sector's main activities and an analysis of the VAT treatment
- more detailed examples of approved partial exemption special methods in operation and the rationale for their appropriateness and
- an exhaustive list of the information HMRC needs to review partial exemption special method applications and to make prompt decisions.

The revised Framework will be rolled out to HMRC partial exemption officers involved in the social housing sector. HMRC is seeking to harmonise and standardise the operating procedures of partial exemption officers to improve the consistency of approach.

However, the Framework is not expected to provide guidance on energy-efficiency activity connected with the Community Energy Saving Programme (CESP), the Carbon Emissions Reduction Target (CERT) and the Energy Companies Obligation (ECO). Because there is a variety of arrangements in place for the delivery of energy efficiency works, it is difficult to agree a single VAT treatment for the associated income and expenditure. HMRC's policy team is reviewing the arrangements for these initiatives before agreeing a VAT treatment.

## Corporation tax and international-style accounting

For financial statements commencing on or after 1 January 2015, as discussed in section 7 of this update, 'FRS 102' will replace current UK GAAP. KPMG has reviewed the new accounting rule changes and how they will impact on corporation tax treatment.

The impact will be greatest for non-charitable housing associations and for non-charitable unregulated group companies and fall broadly into two categories:

1. Where the accounting adjustment is not taxable/deductible for corporation tax purposes this may result in a difference between the accounting and taxable profits. This may

make it difficult to shelter taxable profits via a gift aid payment. All credits and debits to the income and expenditure account will need to be monitored. Examples of this might include social housing grant, increased depreciation changes and fair value adjustments on investment properties.

2. Where an item is booked for accounting and tax purposes but this is an unrealised profit, it may not be possible to shelter a corporation tax charge via gift aid payments. The non-charitable entity may not have sufficient cash unless it can source cash from elsewhere. An example of this might be a financial instrument that triggers an unrealised profit.

Charitable housing associations could potentially be affected, for example by reduced gift aid payments from non-charitable group entities. It will be important for housing groups to look at the impact of the new accounting standards on both the financial statements, and the corporation tax position, well in advance of the implementation date.

## People's Tax - board member fees & IR35

### Who is responsible for PAYE and NIC?

The Chancellor's 2012 Autumn statement threw the spotlight on the tax and national insurance contribution (NIC) treatment of fees paid to board members. It clarified that IR35 (the legislation introduced to counter "disguised employment") would apply to office holders (a board member is an office holder) but subsequent discussions with HMRC suggests that this will not always be the case.

### Where will this apply?

IR35 will apply where a board member uses an intermediary company or partnership to enter into the contract for services. In this case it is the intermediary that will be obliged to account for PAYE and NIC not the housing association.

Whilst HMRC guidance appears to suggest that IR35 will apply to all payments to board members engaged through intermediaries from 6 April 2013, discussions with HMRC have suggested that IR35 will only apply if the intermediary is referred to as the corporate board member in any statutory records and returns. We will keep this under review and provide an update as soon as HMRC clarifies the position. In the meantime, if you have any queries, please contact the Federation's tax helpline (see page 27 for details).

### Travel expenses

In addition to the operation of PAYE and NIC in relation to board member fees, it will also be necessary to consider the impact on tax and NIC due on expenses paid to board members. In some cases, travel and subsistence expenses paid to board members will be taxable and many housing associations include these costs in their annual PAYE Settlement Agreement (PSA) with HMRC. It will be important to exclude payments to intermediaries where IR35 applies as any tax and NIC will be due by the intermediary not the housing association. We expect to have clarity on this issue prior to the final PSA submission date of 31 August 2013 and will confirm the position in the next Finance Policy Quarterly Update.

### Annual tax on enveloped dwellings

A new annual tax charge was introduced in the Budget from 1 April 2013 which applies to companies owning high-value residential property.

The charge only applies where there is a single dwelling worth over £2m and there are a number of reliefs that can apply. However we are aware that HMRC has been writing to some social housing providers suggesting that they may need to file returns.

For more details please click on the link: <http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/annual-tax-enveloped-dwellings.aspx>

### Tax helpline for Federation members

Federation members are reminded that included as part of our contractual arrangement with KPMG is the provision of FREE tax advice for members. Members using the tax helpline are entitled to the first half hour of tax advice free. This service covers corporation tax, VAT, people's taxes and stamp duty land tax issues. Details of how members can access this resource are available on the members' section of our website at: [https://www.housing.org.uk/OnlineStore/default.aspx?tabid=64&returnURL=http://www.housing.org.uk/membership/member\\_benefits-1/entitlements/kpmg\\_tax\\_advice.aspx](https://www.housing.org.uk/OnlineStore/default.aspx?tabid=64&returnURL=http://www.housing.org.uk/membership/member_benefits-1/entitlements/kpmg_tax_advice.aspx)

You will need to register and login to use this service.

The Federation's contact for all taxes is John Butler, Finance Policy Officer, 020 7067 1177 or [john.butler@housing.org.uk](mailto:john.butler@housing.org.uk)

# 10. Risk management guide for board members



Zurich Municipal has been commissioned by the Federation to produce a risk management guide for board members, which will be launched at the Federation's Annual Conference on 18 September 2013.

As housing associations diversify their range of funding and commercial activity and as the impact of legislative change, such as welfare reform, begin to impinge on core activity, so the range of risks they face increases. The HCA continually seeks assurance from associations that they understand the risks they face in delivery of their strategic objectives and that they get sufficient assurance on the effectiveness of their risk management systems and the systems of internal controls.

Board members should not be involved in micro-managing the risk management system but, either directly or indirectly, they need to know enough to assure themselves that it is working effectively. Boards must also appreciate that risk management is not solely about mitigating all risks but also about exploiting new opportunities as they arise.

Risk management should not exist as a preventative measure to discourage an organisation from undertaking certain actions. It should not exist as an additional 'hurdle' to be jumped over, complicating an already challenging operational environment. Instead, a well understood and effective risk management framework will allow an organisation to proactively recognise and manage the risks that it faces. Subsequently, associations can take advantage of new opportunities and create innovative solutions based on a 360 degree understanding of an organisation's risk profile. Therefore, it is vital that boards take a leading and active role in risk management, particularly from an overall governance and monitoring aspect.

Risk management can often turn into a complex and bureaucratic exercise when not fully effective. Strategies and plans can become lost in mountains of paperwork that often become far too cumbersome to be of any real use and add true value. In response to this, the intention of the guide is to explain risk and risk management in clear, simple and practicable terms, to support and steer the board through the web of risk management by:

- providing guidance on the types of risks facing the housing sector
- highlighting the regulatory obligations of housing associations
- detailing the modern strategic approach to risk
- dispelling the main myths about risk and risk management
- indicating the emerging risks appearing on the horizon that organisations should be aware of and
- recommending a set of useful tools that can aid effective risk management.

The Federation's contact for Risk is John Butler, Finance Policy Officer, 020 7067 1177 or [john.butler@housing.org.uk](mailto:john.butler@housing.org.uk)

## Finance policy quarterly update

# 11. Finance conference 2013

We asked Jon Land, Editor of 24 housing, to give us his take on the proceedings at the Federation's Annual Finance Conference 2013.



“For anyone requiring evidence that the housing association sector is currently undergoing a seismic shift, this year’s Finance Conference was the place to be.

Such was the buzz among delegates, the University of Warwick campus had a very different atmosphere to previous years. Formerly the preserve of earnest housing FDs discussing accountancy rules and pension plans, this year’s conference was packed to the rafters with a cross section of housing professionals seeking up-to-the-minute information on everything from welfare reform and risk management to bank lending and commercial diversification.

As is traditional, the conference opened on the same day as George Osborne’s Budget but tellingly it was far from the main topic of conversation among delegates I spoke to, other than expressions of disappointment at the Government’s continued obsession with home ownership ahead of other forms of housing tenure.

The conference itself got off to a compelling but off-beat start with the first key note address from Dr Steve Peters, Consultant Psychiatrist for Team GB Cycling, who offered delegates tips on mind-management and ideas on how to improve their lives and cope better with stress. Were the organisers trying to tell us something about the pressures housing professionals are likely to face in the coming years?

Talking with many of the delegates, it soon became clear that the breakout sessions were proving most useful in terms of doing the day job while the likes of Andrew Neil and other ‘headline’ speakers offered some light relief but with a little insight into anything housing-related.

A packed session on welfare reform, however, was one of the conference highlights with an unusually frank civil servant, Graham Mowat from the DWP’s Universal Credit directorate, offering a revealing update on the workings of the new benefits system and the implementation issues it currently faces. Refreshingly, there was acknowledgement of the predicament housing associations will find themselves in when direct payments kick in and an indication that the DWP was looking to work with the sector to address concerns.

In other sessions, such as the institutional investment panel debate, it was the level of detailed knowledge and expertise demonstrated by the speakers that impressed, providing insightful analysis of the changing housing landscape and how their organisations can prosper within it.

As a journalist covering the finance conference over a number of years, it was the first time that it felt essential to be there. A must attend event right up there with the big housing conferences to come later in the year.”

If you have any ideas for future finance conferences, the Federation’s contact is Joseph Carr, 020 7067 1094 or [joseph.carr@housing.org.uk](mailto:joseph.carr@housing.org.uk)

## Finance policy quarterly update

# 12. The HANAAs 2013 and 2014



## The HANAAs 2013

The Federation is delighted to announce the winners of the inaugural Housing Association National Accountancy Awards (the HANAAs) which took place on Tuesday 19 March at the Hilton Coventry.

The awards were launched by the Federation this year to recognise excellence in housing association finance. Housing associations are having to adapt rapidly to an increasingly challenging operating environment, with finance teams often operating quietly at the vanguard of these changes.

The HANAAs are the Federation's very first awards for finance professionals, and celebrate the most innovative and progressive teams and individuals who are rising to the considerable financial challenges, while continuing to provide great customer service, financial stability and excellent conditions for investment. In short, the National Housing Federation HANAAs showcase the inspirational benchmarks, to which others can aspire.

The Federation would also like to take this opportunity to thank all the sponsors who so generously supported the event and made the event such a memorable occasion.

And the winners are...

Categories (Sponsored by):	Winners
Outstanding finance communications Sponsored by 24publishing	Circle Housing Group
Most effective risk management approach Sponsored by Zurich Municipal	Yarlington Housing Group
Achieving best value for money Sponsored by R K Harrison Insurance Services	First Wessex
Best external professional adviser Sponsored by Nationwide Energy Services	Canaccord Genuity
Measurement of social return on investment Sponsored by Baker Tilly	Nottingham City Homes
Financial innovation Sponsored by This Housing	Places for People
Most promising accounting newcomer Sponsored by Documotive	Sarah Jones, City West Housing Trust
Outstanding lifetime contribution Sponsored by SDS	Eric Armitage, Liverpool Housing Trust, part of Symphony Housing Group
Finance team of the year Sponsored by Lean Housing Solutions	Riverside

## Finance policy quarterly update **The HANAAs 2013 and 2014**

For more detail on the winning enteries please click on the link:

<http://www.housing.org.uk/get-involved/housing-association-national-accountancy-awards>

The National Housing Federation would like to thank all of the entrants to this incredibly tough competition, and convey special thanks to the judging panel, for whom this was no simple task:

- Deborah Shackleton (chair), Former Chief Executive, Riverside Group
- Graham Page, Property Practice Manager, Zurich Risk Engineering
- John Thornhill, Deputy Editor, Financial Times
- Mark Davie, Head of Social Housing, M&G Investments
- Mark Washer, Group Finance Director, Affinity Sutton
- Peter Matza, Engagement Director, The Association of Corporate Treasurers (ACT)
- Phil Cliftlands, Director, PricewaterhouseCoopers

### **The HANAAs 2014**

The Federation will be holding the HANAAs next year on Tuesday 18 March 2014 on the eve of the Finance Conference, probably in Birmingham (details to follow):

- Entries will be accepted from Monday 16 September 2013
- Entry deadline is Friday 22 November 2013.

More details to follow.

The Federation's contact for the HANAAs is Natasha Papa, Conference Organiser, 020 7067 1053 or [Natasha.papa@housing.org.uk](mailto:Natasha.papa@housing.org.uk)

## Finance policy quarterly update

### 13. Quarterly round-up

#### EU funding of green retro-fitting

The Federation is working with the European Investment Bank (EIB) to develop a low cost European loan fund for energy efficiency improvement works in social housing. The funding will be allocated through Local Enterprise Partnerships which will need to compete for a share of the £6bn EU funds, available over seven years. The EIB aims to increase the pot of funds available by attracting additional bond finance from institutional investors. The funds will be used to invest in green jobs, green firms and sustainable living and will help drive green skills training, related employment and support the delivery of low-carbon strategies and sustainable energy action plans for neighbourhoods and local areas.

The Federation has produced briefing on the proposal, the funding opportunity and what we need to do to make it happen. For more information please click on the link:

<http://www.housing.org.uk/publications/browse/eu-structural-funds-2014-2020>

The Federation's contact is Arno Schmickler, International Affairs & Funding Officer, 020 7067 1034 or [arno.schmickler@housing.org.uk](mailto:arno.schmickler@housing.org.uk)

#### Financial inclusion - My Home Finance



My Home Finance (MHF), the Federation's responsible credit business is expanding across the country, bringing its services to thousands more people. Following the success of MHF's current loan note offer, the rollout of services has begun in the South West and North East using a variety of delivery models including in-situ loan officers and tele-postal lending. In the near future the North West will also benefit from significant coverage.

Caroline Moore, Executive Director of Somerset-based Yarlington Housing Group says "Yarlington has decided to invest in My Home Finance, recognising that it is essential that our residents have available a realistic alternative to doorstep lenders in these increasingly difficult economic times."

With loan note finance expected to exceed £3m and many other housing associations looking to invest, a further issue is being planned for later this year.

The Federation's contact is Tess Pendle, Head of My Home Finance, 020 7067 1043 or [tess.pendle@housing.org.uk](mailto:tess.pendle@housing.org.uk)



### CIPFA's quick guide to service charges

How compliant are your service charges? Service charges are fundamental aspects of a housing association's business, providing tenants with efficient services. This quick guide raises the issues you need to consider for administering service charges, including existing legislation and regulation. Click on the link to download a free copy of the guide: <http://www.cipfa.org/Policy-and-Guidance/Technical-Panels-and-Boards/Housing-Panel>

### Countering fraud

BDO has been working with the Federation to strengthen housing associations' capacity to protect themselves against fraud, and thus to minimise its cost.



In December last year the Federation published 'Countering fraud – A guide for housing association board members', which we commissioned BDO, the leading business services firm to write. Jim Gee, BDO's Director of Counter Fraud Services and Visiting Professor and Chair of the Centre for Counter Fraud Studies at University of Portsmouth, helped to draft the guide, and has given a presentation on it recently at the Federation's Audit Committees and Finance Conferences.

BDO has also developed a **FREE** Self-Assessment Fraud Resilience (SAFR) tool for housing associations - [www.pkfapps.co.uk/socialhousingfraud](http://www.pkfapps.co.uk/socialhousingfraud) - which is based on the world's largest database concerning fraud resilience, a government accepted measure of how well organisations are protected. It takes just a few minutes to complete but provides a first view of the strengths and weaknesses of protection against fraud, as well as a relative view compared to peer organisations.

The latest global research (across £5tn sterling equivalent expenditure) shows that fraud losses are currently averaging 5.7% of expenditure with an increase of more than 30% since the onset of the recession. In a macro-economic context where funding is difficult, cutting the cost of fraud should be a priority for any organisation. Research shows that the proportion of fraud which is detected can be as little as 1/30th. Rather than being reactive, and hoping for the best, it is much better to be proactive and treat fraud like any other business cost – something to be measured, managed and minimised. A good starting point is to use the SAFR tool and by doing so you can not only help your own organisation but also help the sector as a whole to get a better view of what it needs to do.

The Federation's contact for fraud is John Butler, Finance Policy Officer, 020 7067 1177 or [john.butler@housing.org.uk](mailto:john.butler@housing.org.uk)

## Finance policy quarterly update

# 14. Conferences and Seminars

## National finance conferences



- **SERVICE CHARGES CONFERENCE**

**Wednesday 4 September 2013, American Square Conference Centre, London**

The Federation contact is Joseph Carr, Finance Policy Leader, [joseph.carr@housing.org.uk](mailto:joseph.carr@housing.org.uk)

- **TREASURY MANAGEMENT CONFERENCE**

**Wednesday 23 October 2013, American Square Conference Centre, London**

The Federation contact is Joseph Carr, Finance Policy Leader, [joseph.carr@housing.org.uk](mailto:joseph.carr@housing.org.uk)

- **AUDIT COMMITTEE SEMINAR**

**Tuesday 3 December 2013, Novotel Birmingham Centre**

The Federation contact is John Butler, Finance Policy Officer, [john.butler@housing.org.uk](mailto:john.butler@housing.org.uk)

- **RISK MANAGEMENT SEMINAR**

**Thursday 23 January 2014, Novotel Birmingham Centre**

The Federation contact is John Butler, Finance Policy Officer, [john.butler@housing.org.uk](mailto:john.butler@housing.org.uk)

## Regional finance conferences

- **LONDON, SOUTH EAST & EAST OF ENGLAND**

**Tuesday 9 July 2013, Coin Street Neighbourhood Centre, London**

For further details contact Beccy Wall at [conf.admin@housing.org.uk](mailto:conf.admin@housing.org.uk)

- **NORTH WEST**

**Thursday, 11 July 2013, Midland Hotel, Manchester**

For further details contact Rebecca Murphy at [rebecca.murphy@housing.org.uk](mailto:rebecca.murphy@housing.org.uk)

- **NORTH EAST AND YORKSHIRE & HUMBERSIDE**

**Friday, 13 September 2013, Royal York, York**

For further details contact Rebecca Murphy at [rebecca.murphy@housing.org.uk](mailto:rebecca.murphy@housing.org.uk)

### Regional finance forums

- **LONDON FINANCE FORUM**

**Thursday, 11 July 2013**

For further details contact Violeta Reen at [Violeta.Reen@housing.org.uk](mailto:Violeta.Reen@housing.org.uk)

- **SOUTH EAST FINANCE FORUM**

**Wednesday, 4 September 2013**

For further details contact Julie Layton at [julie.layton@advanceuk.org](mailto:julie.layton@advanceuk.org)

- **EAST MIDLANDS FINANCE FORUM**

**Tuesday, 10 September 2013**

For further details contact Rob Griffiths at [robert.griffiths@longhurst-group.org.uk](mailto:robert.griffiths@longhurst-group.org.uk)

- **NORTH WEST FINANCE FORUM**

**Thursday, 12 September 2013**

For further details contact Rebecca Murphy at [rebecca.murphy@housing.org.uk](mailto:rebecca.murphy@housing.org.uk)

- **EAST OF ENGLAND FINANCE FORUM**

**Friday, 20 September 2013**

For further details contact Chris Wyer at [Chriswyer@orwell-housing.co.uk](mailto:Chriswyer@orwell-housing.co.uk)

## Finance policy quarterly update

Includes details on:

- Moody's downgrading the credit score of 29 out of the 30 housing associations it rates
  - the Prudential Regulatory Authority's proposed changes to the amount of capital banks have to hold when lending to the sector
  - the HCA's new proposals for regulating providers of social housing
- and much more . . .

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[National Housing Federation - Social Housing Finance](https://www.linkedin.com/company/national-housing-federation-social-housing-finance/)

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The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That's why we represent the work of housing associations and campaign for better housing.

Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

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