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**Cynulliad Cenedlaethol Cymru**  
Y Pwyllgor Cyfrifon Cyhoeddus

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**National Assembly for Wales**  
Public Accounts Committee

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Amanda Davies – Chief Executive  
Pobl Group,  
Exchange House,  
The Old Post Office,  
High Street,  
Newport,  
NP20 1AA

18 December 2017

Dear Amanda,

Earlier this year you appeared before the Public Accounts Committee to provide evidence as part of the Committee's inquiry into the Regulation of Housing Associations. During the evidence session the Committee questioned you on the disclosure of loss of Office payments in the Grŵp Gwalia financial statements for 2015 –16. The Committee sought clarification from you as to why it appeared that some loss of office payments had not been disclosed following the creation of the Pobl Group.

You informed the Committee that a loss of Office payment would have been made by the Gwalia board to an individual that had been with the organisation for a long time and the payment was made in accordance with the individual's contractual commitments.<sup>1</sup> However, we highlighted that the payment had not been disclosed in the financial statements and you stated that you thought it was

<sup>1</sup> Record of Proceedings, Public Accounts Committee, 13 February 2017, paragraph 185



disclosed and that you would check, adding that there would be no reason for it not to be disclosed.<sup>2</sup>

Unfortunately this matter was not clarified following the meeting and we have since noted that the 2014–15 and 2015–16 accounts prepared by Grwp Gwalia include information about the emoluments (remuneration) of ‘senior executives’.

Note 10 of the 2014–15 accounts (on page 37) reports that “compensation for loss of office paid to Senior Executives during the year ended 31 March 2015 amounted to £35k”.

As I am sure you are aware, the accounts for 2015–16 were the first prepared to comply with new accounting standards (set out in Financial Reporting Standard (FRS) 102). Narrative on page 15 of those 2015–16 accounts notes that “the financial information .... for the year ended 31 March 2015 has been restated for material adjustments on adoption of FRS 102 in the current year”.

We interpret this as meaning that the figures for 2014–15, included in the accounts for 2015–16, may not be the same as those in the accounts for 2014–15 since they may have been restated (revised) as appropriate to reflect the different accounting requirements for 2015–16.

We have reviewed the adjustments but have not identified any relating specifically to information relating to payments for the compensation of loss of office.

Note 11 of the 2015–16 accounts (page 43) reports that the compensation for loss of office in the year to 31 March 2016 for “Directors who are executive staff members” was zero. The accounts report compensation of loss of office for the previous year (to 31 March 2015) of £406k.

We note that Directors are defined, in the footnote to Note 11, as “members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team”.

However, we are not clear as to whether this definition differs from that adopted, in 2014–15, for ‘senior executives’ and hence, whether the information in 2014–15 and 2015–16 is directly comparable. Aside from noting the different

<sup>2</sup> *ibid*, paragraph 191



descriptions adopted, we have not been able to identify any information to explain the relationship (or difference between the figures) for the amounts payable for compensation of loss of office for 2014–15 as set out in the 2014–15 and 2015–16 accounts (£35k and £406k respectively).

We have also reviewed the financial statements for Pobl Group Limited for 2016–17 and this has not identified any other information about amounts payable to senior officers in respect of compensation of loss of office.

Finally we have reviewed the accounts prepared by the former subsidiaries of Gwalia (Tai Cymdogaeth Cyf, Tai Cartrefi Cyf, Gofal A Chymorth Gwalia Cyf, Tai Gwyr Cyf and Gawlia Housing Trust). These all cross refer to the consolidated or Group accounts for 2016–17 i.e. those prepared by Pobl Group Limited. Therefore, this does not set out any relevant information either. We have not located the 2015–16 accounts for these subsidiaries on the website for Grŵp Gwalia.

Given the information above, I would be grateful if you could confirm the value of amounts payable for the compensation of loss of office in respect of directors and senior executive as a result of the merger of Gwalia and Seren to form the Pobl Group from 1 April 2016, along with a note to set out the date of payment, how these were treated and reported in the financial statements of the group(s) and its subsidiaries.

I would be also grateful if you could clarify the position regarding the amounts payable for the compensation of loss of office for accounting periods 2014–15 and 2015–16 accounts, including an explanation for differences in the amounts payable for 2014–15 as set out in the 2014–15 and 2015–16 accounts (£35k and £406k respectively).

Yours sincerely,



**Nick Ramsay AM**

**Chair**



Nick Ramsay AM  
Chair  
Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA



26 January 2018

Dear Nick,

Thank you for your letter dated 18<sup>th</sup> December. I have already explained that I only saw your letter last week. Apologies. I have now had the chance to look into the questions you raise and can now clarify matters.

Starting with the accounting period 2014/15. The sum of £35k reported in the statutory account relates to the redundancy of a Gwalia Director of IT. The larger sum reported in the 2015/16 financial year of £406k relates to a significant restructuring programme which took place in Grŵp Gwalia called 'Fit for the Future'.

The aim of the programme was to significantly reduce costs in the Group, targeting some £3 million of efficiencies. The £406k payment for loss of office related to the redundancy cost of four members of the Executive team reducing the size of the Executive from 7 to 3 new posts. I am advised that the payments were made in line with their contractual entitlements and Gwalia's redundancy policy. Some of these Executives had over 26 years of service. Of the £406k, £167k relates to payment in lieu of outstanding contractual notice period. The decision that senior executives are not required to work their notice periods, leaving the business, is common practice and was wholly appropriate given the circumstances at the time. The removal of these posts realised recurring annual savings in excess of £350k.

In terms of the payment to Mr Williams and its disclosure, I have taken the opportunity to talk with our auditors Mazars about its treatment in the financial statements. Mr Williams was a very long serving member of staff with 33 years' service to Grŵp Gwalia. Mr Williams was made redundant by Grŵp Gwalia as a consequence of the decision to form the Pobl Group. The role of Pobl Group CEO was subject to a competitive process (with the full involvement of the Housing Regulator) and Mr Williams was not appointed. As a result, he was entitled to a redundancy payment under the Grŵp Gwalia redundancy policy. His redundancy payment was paid to him on 15th April 2016 as agreed between the respective legal advisors.

Mr Williams received a redundancy payment of £119k, he was also paid 9 months contractual notice of £114k and was owed holiday pay of £10k. All of these payments were agreed by the Grŵp Gwalia Board and shared with the regulator. As I stated at the PAC every penny paid to Mr Williams was in line with his contractual entitlement. In terms of the commercial gain to the new group the payback on this cost was less than 18 months.

The Pobl Group, in producing its first set of accounts followed FRS 102 by including a Directors note in the parent rather than within subsidiary company accounts. Michael Williams was an employee of Grŵp Gwalia which became a subsidiary of Seren Group (under the new name Pobl Group).

In line with the accounting standards Mr Williams' loss of office payment was not included in the parent accounts as he was not a Director of Pobl Group. Although this is technically a correct treatment, it doesn't reflect the fact that we would want to be open about Mr William's exit arrangements. During the PAC inquiry, we were in the process of producing the first set of Group accounts and, not being an expert in FRS 102, I had no reason to assume that the payments would not be fully disclosed.

We value transparency and at every step of the merger have been open about our plans and intentions. I am disappointed that this has happened and have asked Mazars to amend the disclosure note in Pobl Group's accounts to include the costs in relation to Michael Williams' loss of office. Our accounts will be re-issued on the Pobl Group website within the next working week.

If you wish to discuss this or any other matter further I would be more than happy to meet.

Yours sincerely,



Amanda Davies  
**Group Chief Executive**

Cc Wendy Bourton, Pobl Group Chair

Amanda Davies – Chief Executive  
Pobl Group,  
Exchange House,  
The Old Post Office,  
High Street,  
Newport, NP20 1AA

8 February 2018

### **Disclosure of compensation payable to directors and former directors**

Dear Amanda,

Thank you for your letter of 26 January 2018, which sets out your response to the issues raised in my letter dated 18 December 2018. I sought clarification and information in respect of payments to senior executives for loss of office. This followed evidence you gave to the Public Accounts Committee during its inquiry into the Regulation of Housing Associations.

In your response, you note the reasons for the different amounts reported as being payable to directors for loss of office in 2014–15 as reported in the accounts for that year and in the 2015–16 accounts. You state that the payments relate to a decision to reduce the size of the Executive Team and that they were made in line with the contractual entitlement of staff.

I understand that accounting standards require that, where figures reported for the prior year are restated (or amended), this is set out clearly in the accounts. Also, accounting standards require that the accounts include explanations for amendments. It could be argued that the increase in the value of payments to directors for loss of office in 2014–15 (from £35k to £406k) was not significant in the context of the total expenditure incurred by Grwp Gwalia for that year.



However, given the sensitivity of the payments and the potential public interest in them, I would have expected appropriate disclosures to be made in the 2015–16 accounts of Grwp Gwalia. However, we have not identified any information relating to the restatement in those accounts.

You also set out the position in respect of the payment to Professor Williams, the former Chief Executive of Grwp Gwalia. My understanding is that accounting standards require organisations to recognise liabilities in their accounts, and make the related disclosures, when they have a present obligation to act or perform in a particular way.

You note that, as agreed between the respective legal advisors, the redundancy payment to Professor Williams was paid on 15 April 2016. It is not clear from the information you provide from which date Grwp Gwalia had an obligation to Professor Williams and hence, whether the redundancy payment should have been included and disclosed in the accounts for 2015–16 or 2016–17. As far as we can see, the payment was not disclosed in the 2015–16 accounts for Grwp Gwalia. You confirm that – since Professor Williams was not a director of the Pobl Group – the payment was not disclosed in its accounts for 2016–17 either.

I welcome your confirmation that you value transparency. Putting aside any technical accounting requirements in respect of which year the amount payable to Professor Williams was recognised and disclosed, it would clearly be unsatisfactory and lacking in transparency if the redundancy payment was not disclosed in the accounts of Grwp Gwalia or Pobl Group.

Your letter notes that, to respond to my letter, you have spoken to your external auditors, Mazars. You note that you are disappointed that the 2016–17 accounts of Pobl Group do not include a disclosure in respect of the payment to Professor Williams. While ultimate responsibility rests with the Board, it is for the Executive Group to prepare the accounts. In doing so, it must ensure that the accounts are



in accordance with applicable law and regulations, and include all appropriate disclosures. It is not the responsibility of the external auditor.

I welcome your decision to amend and re-issue the 2016-17 accounts for the Pobl Group so that they include information about the payment to Professor Williams. I would be grateful if you could advise that due process has been followed in this regard. I would also welcome your assurance that appropriate steps have been taken to ensure that, in future, sufficient and appropriate information is included in the accounts about sensitive payments, such as those for loss of office, thereby ensuring transparency [and enabling scrutiny].

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is written in a cursive style with a long horizontal flourish at the end.

**Nick Ramsay AM**  
**Chair**



Nick Ramsay AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
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21 February 2018

Dear Nick

Thank you for your letter dated 8th February. I have tried to contact your office for a discussion before drafting this response.

I want to confirm again that the disclosures in both the Grŵp Gwalia financial statements and in the Pobl Group financial statements are absolutely in accordance with the accounting standards which were in force at the time. This has been scrutinised in detail by our external auditors Mazars following your first letter. I have asked the question again and this has been reiterated by them and also by Pobl's Executive Director of Resources.

I think we agree that this is not necessarily an issue around the technical accounting treatment of such payments but equally importantly it's about ensuring transparency. When I said at the PAC that Mr Williams' payment for loss of office would be disclosed in the accounts, I said this in good faith having no reason to think that it wouldn't be. The confluence of the timing of the merger, the shift to FRS 102 (given the disclosure rules under FRS 102 differ from UK GAAP) and the timing of Mr Williams' exit from Pobl mean that the disclosure was caught up in the change. This is unfortunate and as you are aware we have updated the Pobl Group accounts to include the additional information. I wish I had spotted it at the time but sadly I didn't.

In terms of your request to me to 'advise that due process has been followed', I can confirm that both the Group Chair and the Chair of our Group Audit Committee have been part of the decision to add the additional disclosure into the accounts. Our auditors have confirmed they are happy with the inclusion and that, in their opinion, the change doesn't in anyway impact on the 'true and fair' view of the accounts. We will also be minuting the decision to voluntarily add the information at the next meeting of the Group Audit Committee and also at the next Pobl Group AGM.

As I have already said I am disappointed about the situation and I'm satisfied that it has now been dealt with.

Yours sincerely



Amanda Davies  
**Group Chief Executive**

Cc Wendy Bourton, Pobl Group Chair