

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 18th 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