

## Housing SORP Guidance Note 2022 – Update to SORP 2018, UK exit from the EU

### Background

The Housing SORP Making Body (SMB) is the body recognised by the Financial Reporting Council (FRC) as the SORP making body for registered social housing providers.

The SMB uses the SORP Working Party (SWP) as its technical working group to put proposals to the SMB for consideration. *Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union* was issued by the FRC in December 2020. The amendments update FRS 102 for changes in UK company law following the UK's exit from the European Union. The amendments have been reviewed for changes to the SORP to ensure it reflects the existing requirements of FRS 102 and relevant legislative requirements.

The following guidance issued by the SMB updates the 2018 edition of the SORP ('Housing SORP: 2018 Update') for the amendments noted above. The amendments made to the 2018 SORP by the guidance are applicable for accounting periods beginning on or after 1 January 2021. For accounting periods beginning on or after 1 January 2021, the 2018 SORP must be read in conjunction with this guidance.

### Updated guidance

Housing SORP: 2018 Update	Amendments (Deleted text is struck through, inserted text is underlined - both in red)
<b>Chapter 1: Introduction and scope</b>	
1.5 In the event that a social landlord is required by legislation to, or chooses to, comply with standards and interpretations issued (or adopted) by the International Accounting Standards Board that have been adopted in the European Union (EU-adopted International Financial Reporting Standards (IFRS)), then it should use this SORP as guidance to the extent that it does not conflict with the requirements of EU-adopted IFRS.	1.5 In the event that a social landlord is required by legislation to, or chooses to, comply with standards and interpretations issued (or adopted) by the International Accounting Standards Board that have been adopted in the <del>European Union (EU-adopted International Financial Reporting Standards (IFRS))</del> <u>UK (UK-adopted international accounting standards)</u> , then it should use this SORP as guidance to the extent that it does not conflict with the requirements of <del>EU-adopted IFRS</del> <u>UK adopted international accounting standards</u>
<b>Chapter 2: Concepts and pervasive principles</b>	
2.8 Paragraph 2.35 of FRS 102 notes that the requirements for recognising and measuring assets, liabilities, income and expense are based on pervasive principles derived from the International Accounting	2.8 Paragraph 2.35 of FRS 102 notes that the requirements for recognising and measuring assets, liabilities, income and expense are based on pervasive principles derived from the International Accounting

Standards Board <i>Framework for the Preparation and Presentation of Financial Statements</i> and from EU-adopted IFRS. ...	Standards Board <i>Framework for the Preparation and Presentation of Financial Statements</i> and from <del>EU-adopted IFRS</del> <u>UK adopted international accounting standards</u> ...
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### Chapter 3: Financial Statement Presentation

3.8 In accordance with paragraph 1.5 of FRS 102, a social landlord whose debt or equity instruments are publicly traded, or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, or an entity that chooses to provide information described as segment information, shall apply IFRS 8 <i>Operating Segments</i> (as adopted in the EU). If an entity discloses disaggregated information, but the information does not comply with the requirements of IFRS 8, it shall not describe the information as segment information. For the avoidance of doubt, when preparing consolidated financial statements, social landlords must apply IFRS 8 <i>Operating Segments</i> (as adopted in the EU) if there is any listed debt held by a subsidiary within the group structure.	3.8 In accordance with paragraph 1.5 of FRS 102, a social landlord whose debt or equity instruments are publicly traded, or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, or an entity that chooses to provide information described as segment information, shall apply IFRS 8 <i>Operating Segments</i> (as adopted in the <del>EU</del> <u>UK</u> ). If an entity discloses disaggregated information, but the information does not comply with the requirements of IFRS 8, it shall not describe the information as segment information. For the avoidance of doubt, when preparing consolidated financial statements, social landlords must apply IFRS 8 <i>Operating Segments</i> (as adopted in the <del>EU</del> <u>UK</u> ) if there is any listed debt held by a subsidiary within the group structure.
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### Chapter 6 Financial instruments

6.2 There is an accounting policy choice available within paragraph 11.2 of Section 11 of FRS 102, <i>Basic Financial Instruments</i> , which states that a social landlord must apply either:  (a) Section 11 and Section 12, <i>Other Financial Instrument Issues</i> , in full (where applicable); or  (b) the recognition and measurement provision of <i>IAS 39 Financial Instruments: Recognition and Measurement</i> (as adopted in the EU) <sup>1</sup> , the disclosure requirements of Sections 11 and 12 and the presentation	6.2 There is an accounting policy choice available within paragraph 11.2 of Section 11 of FRS 102, <i>Basic Financial Instruments</i> , which states that a social landlord must apply either:  (a) Section 11 and Section 12, <i>Other Financial Instrument Issues</i> , in full (where applicable); or  (b) the recognition and measurement provision of <i>IAS 39 Financial Instruments: Recognition and Measurement</i> (as adopted in the EU) <sup>1</sup> , the disclosure requirements of Sections 11 and 12 and the presentation
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<p>requirements of paragraphs 11.38A and 12.25B; or</p> <p>(c) the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted in the EU) and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B.</p>	<p>requirements of paragraphs 11.38A and 12.25B; or</p> <p>(c) the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted in the <del>EU</del> UK) and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B.</p> <p>(Footnote 1 is not amended and is not reproduced in this guidance)</p>
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February 2022

**Financial Reporting Council’s statement on the Housing SORP Guidance Note 2022 – Update to SORP 2018, UK exit from the EU**

The purpose of the Financial Reporting Council (FRC) is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. In relation to accounting standards applicable in the UK and Republic of Ireland, the FRC’s overriding objective is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users’ information needs. In particular industries or sectors, clarification of aspects of those standards may be needed in order for the standards to be applied in a manner that is relevant and provides useful information to users of financial statements in that industry or sector.

Such clarification in connection with accounting standards is issued in the form of Statements of Recommended Practice (SORPs) by bodies recognised for this purpose by the FRC. The National Housing Federation, Community Housing Cymru, the Scottish Federation of Housing Association and the Northern Ireland Federation of Housing Associations, in their role as the joint SORP-making body, have confirmed that they share the FRC’s aim of high-quality financial reporting and has been recognised by the FRC for the purpose of issuing SORPs for registered social housing providers.

In accordance with the FRC’s *Policy on Developing SORPs* the FRC carried out a review of Guidance Note 2022 focusing on those aspects relevant to the financial statements but also including aspects relevant to the FRC’s broader responsibilities when appropriate. On the basis of its review, the FRC has concluded that Guidance Note 2022 has been developed in accordance with the FRC’s Policy on SORPs and does not appear to:

- a) contain any fundamental points of principle that are unacceptable in the context of present financial reporting practices;
- b) conflict with an accounting standard; or
- c) undermine the FRC’s broader objectives.

31 January 2022