



Minutes of the SORP Working Party meeting of 11:00 am, Tuesday 1 October 2019

Location: Lion Court, 25 Procter Street, London, WC1V 6NY

Chair: Rob Griffiths (national housing federations)

Present: Anna McOwen (national housing federations)
Anne O'Meara (national housing federations)
Faye Gordon (national housing federations)
Harry Mears (professional advisor)
Jonathan Clarke (professional advisor)
Lindsey Dryden (national housing federations)
Maria Hallows (professional advisor)
Michael Rafferty (national housing federations)
Omadevi Jani (professional advisor)
Phil Clifflands (professional advisor)
Sarah Prescott (national housing federations)
Sarah Sheen (professional advisor)
Sarah Smith (national housing federations)

Observers: Easton Bilsborough (FRC)
Andy O'Regan (TPT Retirement Solutions)
Robert Frost (BDO)
Nigel Gregory (Scottish Housing Regulator)
Miriam Kavanagh (Irish Housing Regulation Office)
Mark Windridge (Regulator of Social Housing)

Secretariat: John Butler, National Housing Federation

Minute no

Action

1. **Apologies**

Apologies had been received before the meeting from Amerjit Barret, Paul Edwards, Stuart Fisher, Guy Flynn and Andy Speer.

2. **Minutes of the meeting of 19 March 2019**

- Sarah Sheen will raise the accounting implications of government cladding funding with the CIPFA local authority panel, being that individual contracts should be assessed as there would unlikely to be the same grant treatment across all housing associations. Easton Bilsborough was due to raise this with the panel but left CIPFA before he could carry out this action.
- An update on the status of the SORP Working Party's permanent technical adviser will be provided at the next meeting of the group.

- The minutes of the meeting were otherwise agreed as an accurate record of the meeting.

3. **Matters arising**

- There were no matters arising.

4. **TPT Update – Accounting for multi-employer schemes**

- Andy O'Regan updated the group on TPT Retirement Solutions (TPT) work that enabled housing associations to account for their portion of the Social Housing Pension Scheme (SHPS) and the Scottish Housing Associations' Pension Scheme (SHAPS) as a defined benefit scheme (DB) on 31 March 2019 year ends.
- 98% of SHPS and SHAPS employers used the portal that provided the relevant information from TPT that enabled these organisations to account for their SHPS and SHAPS obligations on a DB basis.
- One audit firm did not engage with TPT until late in the process, as they did not audit a large number of employers. TPT will correct the communication strategy for next year to ensure this does not occur again.
- A survey of employers revealed that the vast majority were either very satisfied or satisfied with the communications and support from the process.
- TPT will be going out to tender for the type two assurance report on the controls. The current incumbents are PwC.
- A volatile market at present has led to a large fall in the discount rate to 31 October 2019 and an increase in the deficit. The next SHPS valuation is 30 September 2020.

5. **IFRS 16 accounting implications**

- Items 5,6 and 7 in the agenda, that all related to IFRS 16, were taken together
- The paper and slides from BDO introduce the principles of IFRS 16 and the key issue on how it may impact on the sector. However, it is not know when or in what form IFRS 16 will be merged into FRS 102.
- All the leases that housing associations are involved with would come onto the Statement of Financial Position in some form.

- The lessor accounting principles within IFRS 16 are largely unchanged from FRS 102. Risk versus reward remains an overarching principle, for instance operating and finance lease remain definitions within IFRS 16.
- In relation to Shared Ownership there are very few assets that are separated but when this does occur you need to be able to physically distinguish them. Under un-amended IFRS 16 shared ownership properties would be a single asset.
- Under pure IFRS 16 the income and the sales proceeds related to shared ownership sales would largely be recognised early on or smoothed over the duration of the properties lifecycle. The existing treatment is halfway between these two options.
- Sanctuary Housing apply full IFRS accounting and will be accounting for their shared ownership properties at their 31 March 2020 year-end accounts.
- Rob Griffiths and Phil Cliftlands will attend the next meeting of the FRC's Technical Advisory Group on 19 November to further explore when and how IFRS 16 may be converged with FRS 102.

**Phil Cliftlands
and Rob
Griffiths**

6. Accounting for property safety costs

- Not many housing associations had capitalised works done to properties to improve their safety following the Grenfell tragedy.
- In addition, very few housing associations had successfully provided for the potential future costs related to complying with existing safety guidance, the second round of the Grenfell Inquiry or any future regulations from the Government. Establishing that these potential costs represent a constructive obligation was the main barrier to providing for them.
- There was added difficulty in demonstrating that these works would bring about an economic improvement in the asset.
- It was agreed by members of the group that no further accounting guidance should be developed for the sector and that the existing guidance from 2018 was sufficient.

7. ANY OTHER BUSINESS

It was observed that very few housing associations carry out hedge accounting and that it is very nuanced where it is done.

There were no other items of business discussed.

8. Subsequent meetings of the SORP Working Party:

- ~~11.00-13.00 Wednesday 4 December 2019, Lion Court~~
CANCELLED
- 11:30 – 13:30 Tuesday 17 March 2020, ACC, Liverpool (lunch at 13:30)
- 11:00 – 13:00 Wednesday 17 June 2020, Lion Court.

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