



## Minutes of the SORP Working Party meeting of 11:030 am, Monday 10 December 2018

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

**Chair:** Rob Griffiths (national housing federations)

**Present:** Anna McOwen (national housing federations)  
Amerjit Barret (national housing federations)  
Andy Speer (national housing federations)  
Faye Gordon (national housing federations)  
Jenny Brown (professional advisor)  
Lindsey Dryden (national housing federations)  
Maria Hallows (professional advisor)  
Phil Cliftlands (professional advisor)  
Stuart Fisher (national housing federations)  
Sarah Smith (national housing federations)  
Guy Flynn (professional advisor)  
Harry Mears (professional advisor)

**Observers:** Jenny Carter (FRC)  
Nigel Gregory (Scottish Housing Regulator)  
Andy O'Regan (TPT Retirement Solutions)  
Jonathan Clarke (professional advisor)  
Sarah Brown (KPMG)  
Omadevi Jani (Grant Thornton)

**Secretariat:** National Housing Federation

### Minute no

### Action

**1. Apologies**

Apologies had been received before the meeting from Anne O'Meara, Maria Hallows, Nigel Gregory and Paul Edwards.

**2. Minutes of the meeting of 26 September 2018**

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

**3. Matters arising**

- There were no matters arising.

**4. First year DC to DB accounting**

Rob Griffiths gave a brief introduction outlining that KPMG had produced a further paper on the first year accounting options. This had been produced as a result of the differing views that existed and the WP's recommended approach for the adjustment to go

through Opening Reserves not gaining sufficient support to enable guidance to be issued.

Harry Mears and Sarah Brown from KPMG went through the three options for first year accounting with the key point being whether the change would be considered an accounting policy change or a change in estimate.

Harry felt there was a stronger argument for a change in estimate as there had been no change in underlying obligations or benefits payable, with the question then being should the movement go through the Income Statement or OCI. Harry confirmed that the view from KPMG was that the change in estimate was a re-measurement and the movement should go through OCI.

There was a discussion about the different options for the first year accounting and whether the change was more akin to a change in estimate or change in accounting policy.

Jenny Carter stated that where an external event is giving rise to a change it would be preferable for all HA's to have a consistent approach to accounting for the change.

Jenny added that the FRC have started to develop an Exposure Draft that will be published in the New Year and would address the issues with a recommendation that a move to DB accounting for multi-employer schemes is shown through OCI in the first year.

The WP discussed the timing of the Exposure Draft and communications to the rest of the sector. There were some significant concerns raised about not having guidance issued by the end of the year and the impact this would have on HA's planning for year end who are expecting guidance to be published following the SHPS Employer Roadshows in November 2018.

It was agreed that the WP couldn't say anything about the move to OCI until the Exposure Draft had been published. Jenny Carter confirmed that the FRC could provide a confidential copy of the draft Exposure Draft to the Secretariat ahead of the publication date to enable draft guidance to be pulled together.

A draft copy of the guidance would be issued before the next WP Meeting in March.

#### **5. TPT Update – Accounting for multi-employer schemes**

Andy O'Regan went through the papers that had previously been circulated, drawing the WP's attention to:

### **GMP**

In October an announcement was made about the need for GMP actualization.

SHPS and SHAPS will be less impacted than the majority of schemes, but will still need to prepare. This will be included in the March 2019 report

### **Assurance**

A series of control objectives are laid out in the report, to find out what objectives we need to meet. Andy confirmed the team at TPT have been focussing much of their work on the controls framework. Andy added that the draft control framework has been sent through to the audit firms, which he his meeting after the WP meeting has finished. This information will be going into a paper in January 2019 for a launch of the modeller on 13 May 2019.

### **Indicative Impact Report**

Andy confirmed that formal terms had been issued to employers in September and to date 73% had signed up for the Indicative Impact Report (the Report).

The Report estimates the balance sheet and income and expenditure impact. It also describes how employers liabilities and their share of assets have been determined.

Appendices provide membership data and restate the deficit contribution schedule.

The Report was due to be sent to employers who had signed up by Wednesday 12 Dec 2018 or Thursday 13 December 2018.

## **6. IFRS 16 – LEASES**

Omadevi Jani went through the key elements of the paper on IFRS 16 leases. The key issues which Oma drew out from the report were:

- Net profit will be impacted, with assets and liabilities increasing with more leases being recognised as finance leases
- The majority of operating leases will come on balance sheet, with lease costs being replaced by depreciation and finance costs.

Sarah Smith suggested that we would need to look at Shared Ownership accounting and how this would be impacted by IFRS

16. There was a discussion on this point and that Sanctuary would be applying IFRS 16 this year so it would be useful to monitor this. Phil Cliftlands agreed to bring a future technical paper on this to a meeting in 2019.

**Phil Cliftlands**

**7. ACCOUNTING DIRECTION**

Phil Winter gave an update on the timetable for the publication of the new accounting direction to be in place for March 2019.

Phil added that the changes will accommodate the abolition of the Disposal Proceeds Fund and would incorporate the Value For Money (VFM) metrics. Phil also confirmed that there would be further details on the VFM metrics published before the end of the year.

**8. ANY OTHER BUSINESS**

There were no other items of business discussed.

**Subsequent meetings of the SORP Working Party:**

- 11:00-13:00 Tuesday 19 March 2019, Finance Conference Liverpool