



Minutes of the SORP Working Party meeting of 11:00 am, Tuesday 9 March 2021

Location: Video-conference

Chair: Rob Griffiths (national housing federations)

Present: Andy Speer (national housing federations)
Anna McOwen (national housing federations)
Faye Gordon (national housing federations)
Guy Flynn (professional advisor)
Harry Mears (professional advisor)
Jonathan Clarke (professional advisor)
Lindsey Dryden (national housing federations)
Maria Hallows (professional advisor)
Mark Davie (professional advisor)
Michael Rafferty (national housing federations)
Phil Cliftlands (professional advisor)
Omadevi Jani (professional advisor)
Sarah Smith (national housing federations)

Observers: Easton Bilsborough (FRC)
Murray Smith (Scottish Housing Regulator)
Mark Davie (M&G)
Mark Windridge (Regulator of Social Housing)
Andrew Wilson (Regulator of Social Housing)

Secretariat: John Butler, National Housing Federation
Julia Poulter, Crowe UK

Minute no

Action

1. Apologies

Apologies were received before the meeting from Paul Edwards, Sarah Sheen and Stuart Fisher.

2. Minutes of the meeting of 7 December 2020

- Under "RtSO Considerations", 2nd bullet down, change "trance" to "tranche".
- The minutes of the meeting were otherwise agreed as an accurate record of the meeting.

3. Matters arising

- UK Finance have agreed to assisting with providing a webinar for lenders about the Housing SORP and the sector's accounting framework

- A separate working group would be convened for developing the agenda and topics for this webinar.
- Guy Flynn updated the group on the RSH's Accounting Direction consultation process.
- It is currently unclear if more guidance should be provided about what should be included in the cost category. Feedback should be provided to the RSH by Friday
- For example it is open to interpretation what support or fire safety costs should be included in "Social Housing Lettings – Other". More certainty would enable greater comparability.
- However, from an audit perspective many housing associations like the flexibility.
- Some housing associations are agreeing "carve outs" for fire safety costs from their loan covenants with their lenders
- There were no other matters arising.

NHF

4. IFRS 16 update

- A separate discussion will be held with Sanctuary after this meeting and members of the Group will report back at the next meeting on 8 June.
- The FRC will be issuing a call for evidence in the next few months with an Exposure Draft (ED) currently expected to be consulted on in early 2022. The effective date would be 1 or 2 years after the conclusion of the ED.
- The International Accounting Standards Board (IASB) have made some minor changes to IFRS 16.
- A consultation about proposed changes to the Code of Practice on Local Authority Accounting in relation to accounting for secure housing tenancies closes on 12 March. This will be effective from the 2022/23 financial year.
- Accounting for social housing tenancy agreements under IFRS 16 is included in the consultation and the Group should keep a close eye on how this develops so that once this treatment is settled it doesn't impact on the Group's discussions with the FRC.
- Although generally the sector accounts very differently to local authorities, general needs properties are similar.

NHF

- Sarah Sheen would be asked to provide an update on the above at the June meeting of this group.

Sarah Sheen

5. **New SO model – accounting considerations**

- Julia Poulter introduced her discussion paper that includes a few simple examples to suggest what the accounting for this new model could look like. This is to establish principles for comparability.
- Examples of accounting treatment under the old shared ownership model could be sufficient to use on the examples in this paper, particularly in relation to external repairs.
- This new model is quite different however because of the ability to get repairs done, and this approach could therefore underestimate costs.
- From an audit perspective there is quite a lot of evidence to inform estimates but these will be adjusted when new evidence arises. This will be the case even after the first year (the extent to which the shared owners use up the £500 will impact probability).
- The provision could be included in cost of sales however this only applies to the sale of the first tranche
- Is there justification for providing for these costs? A warranty on an asset that you don't own is an insurance contract and insurance accounting should be followed.
- However, the housing association is the developer/manufacturer and the risk lies with the social landlord as the seller of the property.
- There is no difference in the accounting treatment if FRS 103 Insurance Contracts or FRS 102 is followed.
- The obligation to provide for the costs is established when the property is sold.
- The SORP is clear that a provision should not be recognised for future planned maintenance work.
- Example 3 in the paper is what most housing association finance teams are modelling and proposals should be further developed based on this example.

- It should be made clear, using the 3 requirements set out in FRS 102, why the conclusion has been reached that a provision should be created.
- Is it more likely than not that a provision should be created for internal repairs but that over the 10 years external repairs are less likely.
- A paper to further develop this accounting will be provided for the next meeting. It was explained that as the guidance will include content that is expected to be incorporated into the SORP when it is next revised, its development will follow a process similar to the process for revising a SORP, including consultation and review by the FRC.
- The RSH's initial view is that example 3 is the best example but a firmer view will be provided from the RSH at the next meeting.
- For the new Right to Shared Ownership (RtSO) proposal all of the asset would be accounted for initially in fixed assets. Accounting for the RtSO will be considered further at the next meeting.

Crowe/FRC

RSH

Crowe

6. NHF Code 2020 – reporting on compliance

- A discussion was held about whether it would be useful for guidance to be provided for all housing associations adopting the new NHF Code of Governance 2020.
- Discussions should be held with auditors and governance teams and disclosure in the accounts will be key.
- It was agreed that no further guidance would be necessary.

7. Latest GMP ruling in November 2020 concerning transfers

- A new obligation from the Guaranteed Minimum Pension (GMP) liability at the reporting date could be introduced because of a high court ruling in 2020.
- Although, this is unlikely to be material for many housing associations actuaries should consider this in their assumptions.

8. Disposal Proceeds Funds disclosure requirements

- The Disposal Proceeds Fund (DPF) should no longer be disclosed in housing associations' financial statements. There should be no exception to this.

9. SORP WP membership

- Guy Flynn will be stepping down from the SWP as a professional adviser and will be moving to Hyde housing association.
- All members are asked to promote the vacancies to their contacts.

10. Any Other Business

There were no other items of business discussed.

11. Future meetings

11:00 - 13:00 Wednesday 8 September 2021, Lion Court and/or VC.

11:00 - 13:00 Wednesday 8 December 2021, Lion Court and/or VC

11:00 - 13:00 Tuesday 15 March 2022, Liverpool (TBC)