



Minutes of the SORP Working Party meeting of 11:00 am, Wednesday 17 June 2020

Location: Video-conference

Chair: Rob Griffiths (national housing federations)

Present: Amerjit Barrett (national housing federations)
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)
Michael Rafferty (national housing federations)
Omadevi Jani (professional advisor)
Paul Edwards (national housing federations)
Sarah Sheen (professional advisor)
Stuart Fisher (national housing federations)
Sarah Smith (national housing federations)

Observers: Liz Kulczycki (BDO)
Easton Bilsborough (FRC)
Murray Smith (Scottish Housing Regulator)
Mark Windridge (Regulator of Social Housing)
Susan Hickey

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

Minute no

Action

1. **Apologies**

Apologies had been received before the meeting from Phil Cliftlands and Anne O'Meara.

Julia Poulter was welcomed to the meeting as the new Technical Adviser to the SWP.

2. **Minutes of the meeting of 17 March 2020**

- Lindsey Dryden had sent her apologies to the meeting on 17 March 2020.
- The minutes of the meeting were otherwise agreed as an accurate record of the meeting.

3. **Matters arising**

- There were no matters arising.
- CIPFA have formed a working group to consider adopting elements of IFRS 16, IFRIC 4 and IAS 17 into the Local Authority Accounting Code.

McCloud and GMPE accounting update

- CIPFA had communicated to Local Authorities that the McCloud judgement could lead to a contingent liability or a provision.
- LGPS actuaries should be considering McCloud in their assumptions accordingly, including considering the nature of members and pensioners.
- It is possible that a trigger has been reached that would require organisations to create a provision (this is due to an appeal to the case being denied and the Government Actuary Department advising that this represents the worst case scenario).

4. **ESG reporting**

- The ESG (environmental, social and governance) white paper for social housing providers will help to simplify how the sector has a good story to tell. At present, the proliferation of reporting on ESG can be complex.
- This would introduce a framework of best practice, enabling greater uniformity and comparability across the sector.
- Optivo are looking to provide annual reporting and expect at this point to include their performance against these criteria in their 2020/21 accounts, but that will depend on audit needs.
- Hyde included some sustainability and social criteria in their financial statements 2018/19. This information could be simple or complicated. It should be best practice for auditors to carry out a specific piece of assurance, preferably negative assurance.
- Crowe UK provide “limited assurance” to PwC’s ESG report.
- This move to a focus on ESG is already attracting new investors into the sector. This would be particularly important in the event of a sovereign downgrade.

- The Federation confirmed that the consultation period would be extended to the end of July and that it would be likely that the next phase of this project would see a Federation backed working group.
- The FRC' highlighted the current differences between the UK framework for reporting on financial and non-financial information in the annual report, including, including ESG reporting.
- In response to concerns about the assurance of ESG information in annual reports, the FRC observed that the recent independent review into the quality and effectiveness audit by Sir Donald Brydon included recommendations about expanding the scope of the current audit report.
- The review also included recommendation about extending the concept of auditing to areas beyond financial statements, including non-financial information such as ESG.
- In response to a question about how this initiative may be taken forward, the FRC commented that it did not perceive there to be any issue about guidance on this topic being published by the Housing SMB . However, this would depend on the nature and status of any such guidance.
- All members were asked to respond to the consultation.

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All

5. Open forum

Covid 19 issues

- Some members reported increasing workload on the going concern statements for the 2019/20 accounts. This revolved around providing significantly more evidence than previous years for the statement.
- Material uncertainty caveats in valuation reports, although they had been removed by the date of the meeting, were present at 31 March 2020 so auditors were working through the impact of these caveats on audit reports.
- For LGPS asset valuations for 31 March 2020, schemes normally allocate assets, however the scheme actuaries do not have a duty of care to housing associations or their auditors and it is therefore very difficult to achieve the required assurance. If this is material at an entity level this would lead to a limitation of scope paragraph being included in the financial statements.

Transfer of engagements/amalgamations

- There is a mix of accounting practices to carry out a transfer engagement or an amalgamation for housing associations and more guidance could improve consistency in this area.
- Faye Gordon offered to provide a paper on statutory amalgamation for the next meeting on 30 September 2020.

**Faye Gordon,
Fed**

Sinking funds

- There is advice in the SORP on accounting for sinking funds but treatment remains inconsistent so further guidance on this area may be necessary.
- Should a housing association recognise the sinking funds in its accounts when the funds do not belong to the housing association itself?
- A more detailed paper on this topic should be provided for the next meeting.

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6. EWS1 developments

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- There were no significant developments in this area and it was agreed that this should be removed as a standing item from all future agendas.

7. ANY OTHER BUSINESS

There were no other items of business discussed

8. Subsequent meetings of the SORP Working Party:

- 11:00 – 13:00 Wednesday 30 September 2020, Lion Court
- 11:00 – 13:00 Monday 7 December 2020, Lion Court.