



## Minutes of the SORP Working Party meeting of 11:00 am, Tuesday 8 June 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)  
Michael Rafferty (national housing federations)  
Paul Edwards (national housing advisor)  
Phil Cliftlands (professional advisor)  
Omadevi Jani (professional advisor)  
Sarah Smith (national housing federations)  
Sarah Sheen (professional advisor)  
Stuart Fisher (national housing federations)

**Observers:** Easton Bilsborough (FRC)  
Stephen Maloney (FRC)  
Murray Smith (Scottish Housing Regulator)  
Mark Windridge (Regulator of Social Housing)  
Allister Parkinson (Welsh Government)  
Miriam Kavanagh ((Housing & Sustainable Communities Agency)

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

### Minute no

### Action

#### 1. Apologies

No apologies were received before the meeting.

#### 2. Minutes of the meeting of 9 March 2021

- Easton Bilsborough provided changes to the minutes when they were circulated to the group, before the meeting. These changes were distributed to the group after the meeting and have been accepted as the finalised version of the minutes
- The minutes of the meeting were otherwise agreed as an accurate record of the meeting.

#### 3. Matters arising

- Mark Windridge confirmed that in the RSH's opinion example 3 in the paper for the accounting guidance for the new shared ownership model was the most appropriate treatment.

#### **4. IFRS 16 update**

##### **Feedback from meeting with Sanctuary**

- A positive meeting was held with Sanctuary to discuss implementing IFRS 16, which Sanctuary reported on in their 31 March 2020 financial statements.
- Sanctuary had a lot of leases under \$5,000 which exempts them from IFRS 16. The transition involved a significant amount of work and led to minimal impact: a 2% to 3% movement in net debt and no questions from investors.
- Sanctuary also provided no further clarity on how shared ownership could be treated under IFRS 16 as they used the existing treatment from the 2018 Housing SORP.
- The previous concern that shared ownership was considered investment property by Sanctuary was not realised in the discussion. Sanctuary have continued to hold the properties at cost. There was nothing in Sanctuary's explanation that caused a concern for those present from the SWP.
- The SWP will need to consider the technical arguments for retaining the existing treatment of shared ownership.
- The full catalogue of leases should also be examined, including those from specialist supported housing.
- Sarah Sheen provided an update on CIPFA's code of practice consultation on whether social housing tenancies meet the definition of a lease under IFRS 16.
- The conclusion, after the consultation and a substantial amount of work, was that there would not need to be any changes or extra disclosures in accounting for social housing tenancies.
- CIPFA's paper, that provides more detail about the consultation, should be circulated to the SWP.

**Sarah Sheen,  
NHF**

#### **5. BEIS consultation on audit and corporate governance reform**

- This consultation asks whether the Public Interest Entity (PIE) definition for third sector organisations, including housing associations, should be expanded to those with turnover of more than £100m.

- The latest set of Global Accounts indicate that around 55 housing associations would be caught by this threshold, however many of these organisations already hold listed debt and are therefore already defined as PIEs.
- There will also be more regulatory requirements for auditors of PIE's and this will probably limit further the number of auditors in our sector.
- It was agreed that the NHF should respond to the consultation, not the SWP.

## 6. New SO Model

- The new Shared Ownership draft guidance was introduced by Julia Poulter.
- The guidance proposes that repair costs should only be recognised by the housing association for the part of the property that has been disposed of.
- There was a discussion about why it was relevant what proportion of stock was owned in relation to the realisation of the liability.
- There would only be commitment to expenditure for the part of the property that had been sold.
- A provision should only be made if a reliable estimate can be established and it's hard to know today if that will be possible.
- It will be a challenge for organisations to reliably estimate but that point is not for the SWP to consider.
- The final version of this paper would be updated and circulated to the group.

**Crowe**

## 7. Grant discussion

- At FRC Advisory Panel meetings there are often discussions about grant accounting. A paper on this will be provided at the next meeting.
- FRS 102 permits entities to use either the performance model or accruals model to account for government grants. The performance model is aligned with the *IFRS for SMEs* Standard and the accruals model is aligned with previous UK accounting standards and full IFRS. Therefore, both models

**Crowe/Rob  
Griffiths**

reflect current international approaches to this area of accounting.

- The SWP should consider what works, what doesn't and the impact of one model or the other.
- Once we can demonstrate the impact of the different model on our accounts we should ask for feedback from investors and lenders.
- We should also consider the treatment of governmental and non-governmental grant and whether these are capital or non-capital in nature. **Crowe**

## **8. Fire safety**

- The 2018 guidance from this group should be re-issued as a result of the increase in costs in this area and because of the length of time since it was first published.
- There are 3 main considerations with these costs: how you recognise, how you capitalise and how you impair.
- The SWP discussed the guidance and how these costs are being accounted for in practice and made a number of points and observations, including:
  - The big issue in this paper is how to split the costs with leaseholders.
  - To recognise a provision a legal or constructive obligation must exist, but the principles are difficult to apply in these scenarios.
  - Some housing associations claim there is a constructive obligation and so provide for these costs, others say there's not enough information.
  - If there are capital works that will occur in the future and the original asset sits on the balance sheet you will double count, so the original asset should be impaired.
- Where the existing tenant remains in the property, under the depreciated replacement cost approach to impairment reviews, there would be no need to impair.
- This is becoming a bigger issue and will be ongoing for a number of years.

- Fire safety costs will likely diminish in 4 years' time and then the focus will move to decarbonisation, where the same principals will apply.
- Should housing associations just disclose a contingent liability?
- The SORP is clear that the cost of replacement parts should only be capitalised when the part is expected to provide incremental future benefits to the entity (e.g. the net rent of the property increases).
- This issue should be brought back to the September meeting with a paper on fire safety costs and decarbonisation. **Crowe**

	<b>SORP WP membership</b> <ul style="list-style-type: none"> <li>• The opportunity to be one of four senior finance staff to join the SORP WP runs to 30 June 2021. The advert should be posted on linkedin.</li> <li>• Volunteers to be the next chair and vice chair of the SWP were asked to come forward by the end of July.</li> </ul>	<b>NHF</b>  <b>All</b>
<b>10.</b>	<b>Any Other Business</b>	

11	<ul style="list-style-type: none"> <li>• A paper on accounting for the Right to Shared Ownership would be produced for the September meeting of this group.</li> </ul> <p>There were no other items of business discussed.</p> <p><b>Future meetings</b></p> <p>11:00 - 13:00 Wednesday 8 September 2021, Lion Court and/or VC.</p> <p>11:00 - 13:00 Wednesday 8 December 2021, Lion Court and/or VC</p> <p>11:00 - 13:00 Tuesday 15 March 2022, Liverpool, The Women's Organisation, 54 St James St, Liverpool, L1 0AB</p>	Crowe
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