



Minutes of the SORP Working Party meeting of 11:00 am, Wednesday 30 September 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)
Harry Mears (professional advisor)
Jonathan Clarke (professional advisor)
Maria Hallows (professional advisor)
Michael Rafferty (national housing federations)
Omadevi Jani (professional advisor)
Paul Edwards (national housing federations)
Phil Cliftlands (professional advisor)
Sarah Sheen (professional advisor)

Observers: Easton Bilsborough (FRC)
Murray Smith (Scottish Housing Regulator)
Mark Windridge (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 Guy Flynn, Lindsey Dryden and Sarah Smith.

2. Minutes of the meeting of 17 June 2020

- Easton Bilsborough had sent some changes and comments to the draft minutes by email shortly before the meeting to the secretariat. These amends will be circulated to the rest of the SORP Working Party (Group) following this meeting.
- The CIPFA LASAAC Local Authority Accounting Code Board have established a sub group to consider the leasing standards impact on housing tenancies (this includes IFRS 16 and IAS 17 and IFRIC 4).
- Phil Cliftlands was incorrectly in the minutes as being both present and not present at the meeting (he was not present).
- The minutes of the meeting were otherwise agreed as an accurate record of the meeting.

3. Matters arising

- There were no matters arising.
- An update on status of the Environmental, Social and Governance (ESG) white paper was provided by Jon Clarke..
- The Good Economy that ran the white paper consultation that ended on 30 July 2020, are seeking early adopters of the criteria.
- Another paper was due out shortly that would finalise the criteria.

Covid 19 issues

- The FRC had circulated some additional Covid 19 guidance for financial reporting. For example, the FRC's Financial Reporting Lab highlighted issues raised from some of the largest entities in the UK.
- The FRC also issued Financial Reporting Exposure Draft (FRED) 76 that proposed financial reporting requirements specific to Covid 19 rent concessions.
- The Group did not find FRED 76 relevant to the majority of the sector but there may be more relevance for some smaller entities. The NHF would bring any queries related to FRED 76 to the next meeting on 7 December 2020.
- For organisations with a 31 December 2020 or 31 March 2021 year end there will be similar auditing requirements for Going Concern (GC) and a GC focus on each entity.
- Amy Barrett has regular engagement with her auditors. This includes a number of interim meetings.
- The NHF would consider an article in the next issue of its Finance Newsletter on this topic.

Fed

NHF/ Crowe

4. IFRS 16 Timeline

- The Group was updated on the IFRS 16 timeline by the technical secretariat that set out the time until the principles of IFRS 16 are expected to be considered for incorporation into FRS102.
- The NHF updated the group on further stakeholder engagement, including chasing UK Finance for a person to fill its vacancy.

- The NHF also announced that Mark Davie, from M&G, would be observing the next meeting on 7 December 2020 and may join the Group following that meeting.
- The NHF would provide a paper on stakeholder engagement at the next meeting. There is a need to engage with a wider group of stakeholders than previously so that the Group can understand the majority of the different lease agreements in the sector.
- The timeline fits into the FRC's timeline.
- The FRC's Technical Advisory Group (TAG) discussed grant accounting at their meeting the week before this meeting. The FRC are looking for possible international solutions to grant accounting. The Group should stay engaged with the FRC on this issue.
- IFRS 15 (Revenue Recognition) sets out accounting for exchange, but not non-exchange income (for example government grants). Other income that fits in between these 2 definitions could have an impact on accounting for Social Housing Grants.
- The FRC will consider bringing the definition of fair value in IFRS 13 into FRS 102 at the next triennial valuation.
- A call will be held after this meeting to discuss if a paper should be provided on the implications of IFRS 13 for the next meeting.

NHF

Fed/Crowe/FRC

Rob Griffiths/
Jon Clarke

5. Sinking funds

- The technical secretariat presented a paper on accounting for sinking funds in the housing association sector that included accounting guidance in the Housing SORP and FRS 102.
- The accounting guidance in the SORP is generally sufficient but minor changes are recommended to income recognition and balance sheet accounting in the SORP. This will be done in the next update to the Housing SORP.
- Amy Barrett reviewed the accounting for sinking funds in Welsh housing associations and saw consistency in the approach taken.

Fed/ Crowe

6. Group re-constructions/amalgamations

- The paper that was presented to the Group at the last meeting in July highlighted relevant guidance in FRS 102 and the Housing SORP.
- A help sheet, providing more guidance in this area, would be useful.
- Believe housing association's main issue during their reconstruction was their auditors view of the going concern of individual entities, not actual accounting.
- Several housing associations like the flexibility of the existing rules in this area and had no issues having recently amalgamated their own organisations.
- The Companies Act does not include transfer of engagement or amalgamation requirements. In addition, housing associations are Community Benefit Societies.
- A significant advantage to a transfer of engagement or amalgamation is that you do not have to novate all the organisational contracts and this therefore greatly simplifies the process.
- It was agreed that providing guidance to improve/increase going concern work was not the scope of the SORP but a consideration for auditors and housing associations.
- A further discussion would be held on this and the NHF would consider including a session on this topic at the 2021 Finance Conference.
- Points 3 and 4, on page 4 of the paper supplied for this item, that recommend minor changes to the SORP, will be noted for the next Housing SORP update.

**NHF/Crowe/Rob
Griffiths**

7. NHF/SWP Guidance

- The Group was updated on the fact that, following discussions with the FRC, all future guidance for the sector from the Group would state that the guidance was drafted by the Group but does not form part of the SORP and has not been reviewed by the FRC.

NHF/Crowe

8. ANY OTHER BUSINESS

- The Group was asked how to enable Recycled Capital Grant Funds (RCGF) to be used on remedial works. It was agreed that the Ministry of Housing, Communities and Local Government's Capital Funding Guide could be re-written to allow this.
- It was likely that the last time this was allowed, and that RCGF was used on major works, was in 2014.
- A number of the sector's banks are aware that housing association's annual pension contributions to the Social Housing Pension Scheme (SHPS) are no longer disclosed in housing association's accounts or, by extension, included in their interest cover calculations.
- This issue requires further investigation after this meeting.
- A consultation relating to changes to the Local Government Pension Scheme (LGPS), following a number of court cases, including McCloud and Goodwin, was issued in July 2020.
- The consultation discusses post balance sheet event (PBSE) disclosures and that if a PBSE is non-adjusting but material, it should be disclosed in the organisation's accounts.
- CIPFA's view is that a material PBSE could be adjusted and provided for.
- CIPFA are running a consultation on IFRS 16 and would send this to the secretariat.

Jon Clarke/Fed

CIPFA

There were no other items of business discussed

8. Subsequent meetings of the SORP Working Party:

- 11:00 – 13:00 Monday 7 December 2020, VC.
- 11:00 – 13:00 Tuesday 9 March 2020, VC.
- 11:00 – 13:00 Tuesday 8 June 2020, Lion Court and/or VC.