



KPMG LLP

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Referrals and Regulatory Enquiries team
The Regulator of Social Housing
1st Floor – Lateral
8 City Walk
Leeds LS11 9AT

Our ref [Redacted]

17 December 2018

Dear Regulator

Accounts Direction Consultation Response from KPMG

KPMG wish to respond to the consultation on the Accounts Direction issued in November 2018. This response reflects the views of the KPMG social housing audit practice from our perspective as the leading firm of external auditors to the sector.

Overall we welcome the amendments to the Accounts Direction to provide consistency and clarity to the requirements in the context of the amendments to FRS 102, the updated Housing SORP and changes in the sector including the revised VfM Standard and the abolition of the Disposal Proceeds Fund.

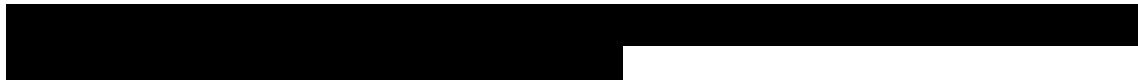
We believe that where there is overlap between the Accounts Direction and either FRS 102 or the Housing SORP, there is little need to include items in the Accounts Direction for a third time unless there are additional requirements that RPs need to be aware of and adopt in their financial statements or where further clarity is helpful.

We set out below our responses against each question.

Question	KPMG Response
<p>Question 1 Does the proposed Direction adequately reflect the requirements of the current VfM Standard and regulatory framework?</p>	<p>Yes, in our view this requirement reflects the current requirements of the VfM Standard.</p>

<p>Question 2 Does the proposed Direction adequately reflect the requirements following the abolition of the Disposal Proceeds Fund?</p>	<p>Yes in our view the proposed Direction adequately reflects the abolition of the DPF. We note however that in the requirement to include a reconciliation of the fund (Section 28a), there is still reference to amounts put into the fund in the year, which given the circumstances is not now required. We therefore recommend that the wording is amended to make it clear that there are no additions to the fund from property sales under the current transition requirements.</p>
<p>Question 3 Do you agree with these proposed changes?</p>	<p>In general we agree with the other changes in the proposed Direction, with the exception of the following points:</p> <ul style="list-style-type: none"> - Part 1A provides RPs with a note format for providing further analysis of turnover, cost of sales, operating expenditure and operating surplus/deficit however under FRS 102 operating surplus will include further items such as profit on the sale of housing properties and changes in market value of investment properties. In our view, the note format should provide some guidance to RPs on how to include these in the note to ensure that the operating surplus as set out in the note can be agreed to the operating surplus in the Statement of Comprehensive Income. - Paragraph 24, Dividends and Distributions repeats requirements included in FRS 102 so could be removed.
<p>Question 4 Does the proposed implementation date provide PRPs an adequate timescale to implement the requirements of the Direction?</p>	<p>Yes the proposed implementation date provides sufficient time to implement the changes.</p>

We are pleased to note that further consultation is planned to consider the current requirements of Part 1 of the proposed Direction in respect of the disclosure requirements for turnover, cost of sales, operating costs and operating surplus. This is particularly relevant for those PRPs that have listed debt or have elected to follow The UK Corporate Governance Code and who are therefore required, under FRS 102, to follow IFRS 8 and provide segmental reporting in their financial statements. In particular we are of the view that it is important to retain consistency in the disclosures given. Future changes to the Accounts Direction should therefore consider what disclosures PRPs are required to provide where they fall under the requirements of IFRS 8 and how these can be incorporated in to the Direction to retain the consistency across the sector as a whole.



Yours sincerely



KPMG LLP

