Consultation responses
Accounting Direction: July- September 2021

Q 1 – Name – Responses redacted

Q 2. Business area of organisation

24 Responses

ID	Name	Responses
1	anonymous	Resources and Growth
2	anonymous	Finance
3	anonymous	Finance
4	anonymous	Finance
5	anonymous	Finance & Treasury
6	anonymous	Finance & Treasury
7	anonymous	Social Housing RP
8	anonymous	Finance
9	anonymous	Social Housing Provider
10	anonymous	Finance
11	anonymous	Housing association
12	anonymous	Finance
13	anonymous	Head of Finance
14	anonymous	on behalf of Director of Financial Services, Financial Planning and Performance, Treasury and Financial Accountants
15	anonymous	Resources

ID	Name	Responses
16	anonymous	Housing Association
17	anonymous	Finance and Central Services
18	anonymous	Finance
19	anonymous	Not for Profit: Smaller (less than 1,000 units) Housing Association providing supported housing & other care services to vulnerable people
20	anonymous	Banking and Finance Trade Association
21	anonymous	Financial Control
22	anonymous	Social housing
23	anonymous	Social Housing
24	anonymous	Finance

Q 3. Organisation name (if applicable)

24 Responses

ID	Name	Responses
1	anonymous	Orwell Housing Association Limited
2	anonymous	Teign Housing
3	anonymous	Castles and Coasts Housing Association
4	anonymous	ExtraCare Charitable Trust
5	anonymous	Greatwell Homes
6	anonymous	Greatwell Homes
7	anonymous	Connect Housing
8	anonymous	Lincolnshire Housing Partnership
9	anonymous	Citizen

ID	Name	Responses
10	anonymous	Flagship Housing Group Limited
11	anonymous	CHP
12	anonymous	Optivo
13	anonymous	South Lakes Housing
14	anonymous	Clarion Housing Group
15	anonymous	Muir Group Housing Association
16	anonymous	Progress Housing Group Limited
17	anonymous	Soho Housing
18	anonymous	Magna Housing Association
19	anonymous	Southdown Housing Association
20	anonymous	UK Finance
21	anonymous	Sovereign Housing Association
22	anonymous	Housing SORP Making Body
23	anonymous	Sanctuary Group
24	anonymous	Peabody Group

Q4. Your email address- Reponses redacted

Q5. Do the reporting requirements covering the particulars of turnover, cost of sales, operating expenditure and operating surplus (Part 1 Note A) enable:
• the performance of the PRP to be explained to stakeholders in meaningful ways; and
• are they consistent with reporting requirements where an operating segment report is produced to comply with IFRS8?

24 Responses

ID	Name	Responses
1	anonymous	The answer to both parts is yes
2	anonymous	Yes
3	anonymous	Yes
4	anonymous	Yes, it is felt that performance is currently being explained to stakeholders in a meaningful way, and additional guidance further supports this.
5	anonymous	Note A requirements are consistent to current practice for our financial reporting on Notes 2 and 3
6	anonymous	Note A requirements are consistent to current practice for our financial reporting on Notes 2 and 3
7	anonymous	Yes
8	anonymous	Yes
9	anonymous	In part. We report Shared Ownership as an operating segment within our IFRS8 operating segment report. However, under the Accounting Direction shared ownership reporting appears under 3 separate areas: - 1. As a category of Social Housing Lettings in Part 1 Note B, on the grounds of materiality. 2. First tranche low-cost home ownership sales are included in Part 1 Note A. 3. Shared ownership staircasing sales are included in surplus on sale of fixed assets. These reported areas need to be re-analysed and aggregated in order to report shared ownership as an operating segment under IFRS8.
10	anonymous	Our view is that the requirements of the proposed Accounting Direction ('AD') and IFRS 8 are consistent and therefore the AD is appropriate for those registered providers without listed debt (to present an appropriate sectorisation of activities for the sector) and IFRS 8 enables providers with listed debt to further disclose sectors in accordance with how management monitor the performance of the provider. From review of application previously in the sector by providers with listed debt, our view is that the application of the AD and IFRS 8 is not unduly onerous.
11	anonymous	Yes, we believe that they are. We are already following this approach in Note 3 of our accounts.
12	anonymous	Yes, we believe that the reporting requirement provide enough details to the stakeholders as there is a clear breakdown of Social housing lettings, other social housing activities as well as non-social housing activities. IFRS 8's

ID	Name	Responses
		core principle is that an entity should disclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. This is consistent with the reporting requirements in Accounting Direction.
13	anonymous	The performance of the PRP to be explained to stakeholders in meaningful ways: Part 1 Note A enables a PRP and the PRP sector to consistently report their financial activities to stakeholders.
14	anonymous	Yes to enabling the performance of the PRP to be explained to stakeholders in meaningful ways. Yes to consistency with IFRS8
15	anonymous	Yes
16	anonymous	We believe the direction ensure stakeholders understand the performance of the PRP.
17	anonymous	The ability to disclose more than specifically required should provide sufficient scope to comply with IFRS8 and also provide meaningful information to stakeholders. However for clarity point 7 (c) might be expanded slightly to be clear that the note would agree to the Operating Surplus line in SOCI ie: 'Additional lines should be included within Notes A and B to ensure consistency with the Operating Surplus/Deficit line in the Statement of Comprehensive Income.'
18	anonymous	Yes
19	anonymous	As a smaller Housing Association (with less than 1,000 units) the requirements for Note A and Note B are not so relevant and there is a significantly reduced level of detailed supporting/social housing segmental analysis, that is required in the statutory accounts (in line with existing Accounting Directions). Clearly reporting requirements cannot be contradictory & should be relatively succinct to ensure readers can understand and compare organisation performance, without confusing the reader. I feel the detail required in the Accounting Direction for smaller HA's is appropriate and discloses the social housing (segment) of the organisations statutory accounts (which for our business only represents 17% of our total annual income). Only suggestion I would make is to show tidy the presentation of this disclosure: we currently show "operating surplus on social housing activities" and "net surplus on social housing activities" (& we disclose the level of "rent losses from voids") but it would be better to list this individual items to show how operating surplus becomes the net surplus (ie less intercompany income, less lost rent through voids & bank interest). Otherwise the reader can be confused to what each total means.

ID	Name	Responses
20	anonymous	Yes, but additional clarification/ confirmation is required on the inclusion of additional lines in relation to development for sale activities. Our response to Q8 refers.
21	anonymous	The proposed reporting requirements enable performance to be explained in ways that proscribe standard terms which allow comparison of financial performance between PRPs, regardless of size, including those which are prepared in compliance with IFRS8.
22	anonymous	First bullet response: Whilst the definition of social housing lettings and social housing activities have been expanded, no further clarity or definition has been added as to how costs should be categorised. There is a diversity in practice across the sector in how costs are allocated and apportioned to the various activity categories, therefore impacting the consistency and comparability of accounts across the sector. Second bullet response: IFRS 8 Operating Segments requires entities with listed debt to report financial and descriptive information about its reportable segments, with reportable segments being those that meet specific criteria with how information is presented to the Chief Operating Decision Maker (CODM). The CODM is commonly the Executive Team and/or Board of the RP. As the internal reporting of RPs will differ from one organisation to the next, there will always be divergence between IFRS8 and Accounting Direction disclosures. The notes to Part 1 Note A of the Accounting Direction highlights that a) Material items of social housing activity should be separately identified. b) Where material sums are involved, additional analysis should be provided. c) Additional lines should be included within Notes A and B to ensure consistency with the Statement of Comprehensive Income. This may include the disclosure of profits or losses on the sale of property, plant and equipment and decisions to include or exclude in operating activities (SORP 2018 3.17 & FRS 102 5.9 & 5.9B). This does help PRPs to expand the disclosure within Note A, which may also align with, IFRS 8 disclosures. An area of divergence will be that, some PRPs will consider Shared Ownership as an operating segment. However, under the Accounting Direction Shared Ownership reporting appears under 3 separate areas: - 1. As a category of Social Housing Lettings in Part 1 Note B 2. First tranche low-cost home ownership sales are included in Part 1 Note A. 3. Shared ownership staircasing sales are included in surplus on the sale of fixed assets. Therefore, further guidance and clarification in this area would be welcomed.
23	anonymous	This note is useful to a range of stakeholders including funders, who are interested in the disaggregation of results into perceived risk profiles and regulators & peers, who wish to compare the results of different PRPs. One difference between note A in the 2022 Accounting Direction and that in the 2019 Accounting Direction is that reference to non-social housing activities appears to have been removed from the template layout for note A, though it can be inferred from the narrative sections above that inclusion is still required unless the entity is a profit making PRP. This point should therefore

ID	Name	Responses
		be clarified. Beyond the above change, the main things to point out are that the note continues to allow a high degree of judgement in its preparation due to the fact that limited guidance is given on what headings to include (other than referring to materiality) and no guidance is given on cost allocation. Whilst it is perhaps useful that the guidance is not overly prescriptive, it does lead a somewhat subjective outcome which possibly limits the full effectiveness of peer comparability. However, we understand that the RSH has concluded that these are areas that should not be expanded on. Sanctuary reports under International Financial Reporting Standards (IFRS) and therefore its segmental disclosures are audited under those standards. We prepare a separate segmental disclosure which aggregates activities on a basis consistent with our monthly reporting to the Executive Committee and our periodic reporting to the Group Board. We still include the required notes A and B from the Accounting Direction within our financial statements. Furthermore, for revenue, we include a reconciliation between our operating segments note and the Accounting Direction notes as part of the IFRS 15 Revenue from Contracts with Customers (IFRS 15) disclosure requirements (disaggregation of revenue). Whether the Accounting Direction notes are of themselves compliant with the requirements of IFRS 8 would most likely depend on whether the disaggregated form of note A could be said to be regularly reviewed by the Chief Operating Decision Maker (typically an Executive board); this is perhaps less likely for larger housing associations with a range of activities where individual operational areas are far more likely to be aggregated for Executive reporting purposes. It is probably worth noting that, often, listed companies tend towards fewer segments.
24	anonymous	We believe there is sufficient explanation and structure to allow adequate understanding of the business to stakeholders. There is no obvious divergence with IFRS8.

Q6. Does the proposed Direction adequately set out the reporting requirements in respect of the particulars of turnover and operating expenditure from social housing lettings (Part 1 Note B)?

24 Responses

ID	Name	Responses
1	anonymous	Yes

ID	Name	Responses
2	anonymous	Yes
3	anonymous	We would prefer to have the void loss disclosed as a deduction from income, ie show income gross, rather than as a footnote below operating surplus. It would make the note more transparent and easier to read.
4	anonymous	Yes
5	anonymous	Yes
6	anonymous	Yes
7	anonymous	Yes, but slight confusion in that note B doesn't require low cost home ownership to be shown in a separate column unless "appropriate" which I assume also means material. If not included in "Other" then any income and expenditure would be in "General Needs" which in the glossary is implied as rental accommodation. Elsewhere in the glossary social housing lettings is split between rental and home ownership, which implies that rental housing is different from low cost home ownership.
8	anonymous	Yes
9	anonymous	No. The separate analysis of rental income and service charge income worked back in the days of purely social rents. However, with the introduction of affordable rents, which are deemed to be inclusive of service charge income, we now have an anomaly in the way that we report. There is a danger that the reader might try to compare the service charge income line with the service charge costs line, without understanding that the service charge costs will relate to both the service charge income line and the service charge element of the affordable rents included in the rental income line. The separation of rent and service charge income no longer serves a valid purpose, and these two lines should be aggregated to eliminate potential confusion.
10	anonymous	No comment.
11	anonymous	Yes, we are already following this approach in Note 3b of our accounts.
12	anonymous	We believe accounting direction does indeed sets out the reporting requirements adequately with more than enough information.
13	anonymous	Yes
14	anonymous	Yes, although it does not entirely align to the FVA format which also asks for separate disclosure on lease costs under social housing lettings. What is the reason for the inconsistency or need for separate disclosure in the FVA?

ID	Name	Responses
15	anonymous	No. Whilst the addition of further guidance and a reference to the FVA guidance is welcomed, we still feel that in the absence of further clarity on the basis for allocation of costs between categories, the information will lack consistency and not allow for sensible peer to peer comparison. In the FVA guidance and definitions, there is no indication of where overhead costs should be reported or how they should be allocated. As an example, the difference between only reporting direct routine costs vs routine costs with a proportion of allocated overheads can be significant and make comparison of cost per unit with peers unreliable. Further guidance would be welcomed here.
16	anonymous	We believe the separation of housing property operating leases as disclosed in the FVA would be helpful to the users of the accounts in understanding the impact on cost per unit in the VFM statement.
17	anonymous	The requirements seem comprehensive. For clarity, rather than referring to service charge income and service charge costs the descriptors might be improved by amending to 'service charges' (on the income line) and 'service costs' (on the cost line). This would also improve consistency across the note.
18	anonymous	Yes
19	anonymous	Please refer to question above about Note A
20	anonymous	Yes
21	anonymous	The proposed reporting requirements are adequately explained and give clearer definitions of the key terms needed in segmental reporting.
22	anonymous	There is currently a diversity in practice in the treatment of impairment charges relating to assets under construction. Whilst the definition of social housing has been expanded it does not stipulate whether such charges relating to properties intended to be kept for letting should be included in the operating expenditure from social housing lettings or in other social housing activities. We believe clarification on this matter would assist preparers of accounts and improve the consistency and comparability of accounts across the sector. We are also aware that the split of rents and services charges is a challenge for some PRPs due to the introduction of affordable rents, which are deemed to be inclusive of service charges. Should the reader try to compare service charges income with service charge costs within the notes this may lead to an incorrect conclusion on the financial statements. Additional definition and/or clarification on income and cost allocations would be beneficial. At the very least, a requirement to disclose the judgments and assumptions made in allocating income and expenditure between different line items and between tenures would aid the users understanding. This aligns with the requirements of FRS 102 paras 8.7 and

ID	Name	Responses
23		8.7. In addition to this, it would be useful to add in clarifications on the presentation of other common line items such as Gift Aid income received, fair value gains and losses on investment properties and reimbursement proceeds from third parties such as insurance companies for remedial works particularly where this is partly for assets under development which are not completed yet.
23	anonymous	The Accounting Direction does not include any guidance as to what approach should be taken when an entity reports under standards other than FRS 102. For instance some of the headings in note B with regards to grants become redundant if the netting off approach allowable under IFRS is adopted. It has always been assumed that there is no intention within the Accounting Direction that restatement to FRS 102 is required in the preparation of notes A and B if reporting under IFRS as this would be both onerous and confusing for the reader of the accounts; however, some clarity over this point within the Accounts Direction itself would perhaps be useful to avoid different approaches being taken should more housing associations adopt IFRS.
24	anonymous	We believe the proposed direction sets out the format required and sets out the reporting requirements, or provides sufficient guidance for a provider to assess their business and report appropriately.

Q7. Does the proposed direction adequately support the Value for Money reporting requirements that must be published annually within the statutory accounts?

23 Responses

ID	Name	Responses
1	anonymous	Yes
2	anonymous	Yes
3	anonymous	Yes
4	anonymous	Referrals to guidance documents are useful, but in practice should already be being followed.
5	anonymous	Yes
6	anonymous	Yes

ID	Name	Responses
7	anonymous	Yes
8	anonymous	Yes
9	anonymous	Yes
10	anonymous	No comment.
11	anonymous	Yes, the VfM requirements are clear on what needs to be provided. The proposals draw out the reasoning.
12	anonymous	We believe accounting direction does indeed support the Value for Money reporting requirements with relevant comparators information as well as disclosures to address any underperformance.
13	anonymous	Yes.
14	anonymous	Yes, although see below for comment on units
15	anonymous	Yes, this is clear and concise and reference to the VfM Standard is helpful
16	anonymous	Assuming the housing property operating lease issue raised above is clear we believe the direction adequately supports the VFM reporting requirements.
17	anonymous	Yes
18	anonymous	Yes. VFM reporting should show own performance against VFM metrics, compared to peer comparator organisations along with a narrative of adverse / remedial explanation or why current performance demonstrates VFM for the business / tenant. Reporting under Note A & B should drive metric performance under VFM and not make it more confusing for the reader to understand where the VFM data is derived from. I think this works for the segmental reporting for the smaller (less than 1,000 units) HA's.
19	anonymous	Yes
20	anonymous	The proposed accounting direction adequately clarifies requirements and expectations from the regulator on the group's Value for Money reporting.
21	anonymous	Yes
22	anonymous	Yes, though fundamentally the Accounts Direction is signposting to other documents with regards to VFM, which is fine.
23	anonymous	We have found no issues to note.

Q8. Are there any areas of the proposed Accounting Direction that should be clarified, expanded on or removed?

23 Responses

ID	Name	Responses
1	anonymous	No areas
2	anonymous	It would be helpful to have pro forma statements of comprehensive income, statements of financial position and cash flow statements in the appendix to the direction.
3	anonymous	No
4	anonymous	The term material items that has a requirement to be separately identified? Some guidance and clarity on what exactly is required to fall under this requirement
5	anonymous	The term material items that has a requirement to be separately identified? Some guidance and clarity on what exactly is required to fall under this requirement
6	anonymous	In order to aid VfM reporting and understanding of differences for smaller RPs (ie less than 5,000 homes), it would be helpful if more RPs disclosed a part 1 segmental split rather just the larger ones as stipulated in paragraph 20. Could this be encouraged even if not stipulated, whilst also retaining the minimum requirements in para 20. Paragraph 24b requires the disclosure of a summary of the main debt elements. Para 25 says that if this is not practicable for length reasons, then a summary of the main elements can be shown which is exactly the same as the previous paragraph.
7	anonymous	No
8	anonymous	Yes. See comments in consultation question 6 above.
9	anonymous	No comment.
10	anonymous	There are none that we would like to raise.
11	anonymous	Accounting direction does seem comprehensive and in our opinion it is good as it is.
12	anonymous	No.
13	anonymous	Expand definition of rent arrears (para 27) to confirm treatment of service charges. Assumption is that this matches definition of income in note B ("rent receivable net of identifiable service charges"). Paras 31 and 32 to be

ID	Name	Responses
		expanded. The FVA is prescriptive regarding requirements for unit numbers. The FVA also references the SDR. Consider referencing the FVA definitions and formats here. General comment regarding consistency of the AD, SDR and FVA requirements. It would be useful as a minimum to reference between the 3 sets of requirements to ensure consistency in reporting.
14	anonymous	Yes, see answer to question 6 above
15	anonymous	Further detail on housing property operating leases covered above.
16	anonymous	Two suggestions noted above in responses 5 and 6
17	anonymous	Section 12 asks for the amount of staff falling in £10k categories from £60k upwards. This is per the original direction, and with inflation is now resulting in some specialist individual roles being reported rather than 'key management personnel' which is the key heading. This should be updated to start at c£75k.
18	anonymous	Already included reference (under Q5 above) to tidying of the operating surplus and net surplus on social housing activities for the smaller HA's so the reader knows how each figure is derived / differences between them.
19	anonymous	Further to our response to Q5: note "c" (top of page 6 of the proposed Direction) states "...additional lines should be included". Clarification/ confirmation should be provided that this will mean development for sale continues to be broken out in detail with revenues/ cost of sales/ surplus for this key activity. We expect that this level of detail is intended to be continued but it would be useful to clarify/ confirm this explicitly.
20	anonymous	No comment
21	anonymous	In addition to the points noted in previous questions • Housing Ombudsman (HO) Complaints Handling Code –Paragraph 6.11 notes that learning and improvement actions from complaints should be included in the landlord's Annual Report. It would be useful to cross reference this requirement in the Accounting Direction. • Climate change and ESG reporting – There have been, and continue to be may developments in this area of corporate reporting. There is currently a range of reporting in this area depending on the legal framework of the RP, such as those providers incorporated under the Companies Act 2006 required to provide SECR reporting, those who will be in scope of the TCFD reporting requirements and others who have voluntarily adopted the Sustainability Reporting Standards, it would be useful to have a consistent approach across the sector, this could be through the Accounting Direction. • As mentioned in response to a previous question, further guidance and/or disclosure requirements on cost allocations between social housing / non-social housing and social housing letting activities will allow

ID	Name	Responses
		greater transparency which will also allow clearer interpretations of VfM metrics.
22	anonymous	See comments above
23	anonymous	We have reviewed and note no areas that require further clarification, expansion or removal.

Q9. Does the proposed implementation date provide an adequate timescale for PRPs to introduce the requirements of the Direction?

24 Responses

ID	Name	Responses
1	anonymous	Yes
2	anonymous	Yes
3	anonymous	Yes
4	anonymous	Yes
5	anonymous	Yes
6	anonymous	Yes
7	anonymous	Yes
8	anonymous	Yes
9	anonymous	Yes.
10	anonymous	We believe that the proposed implementation date provides adequate timescale for RP's to introduce the proposed changes.
11	anonymous	For us, this proposed date for adoption of 1 January 2022 works with our year end of 31 March.

ID	Name	Responses
12	anonymous	Majority of the changes suggested are already incorporated within most PRPs accounts so we believe the timescale is adequate.
13	anonymous	Yes, effective from financial years commencing on or after 1 January 2022 provides time to prepare and implement.
14	anonymous	Yes
15	anonymous	Yes
16	anonymous	The implementation date provides an adequate timescale given the limited changes to the direction.
17	anonymous	Yes
18	anonymous	Yes
19	anonymous	Yes. But easier to answer this on behalf of a smaller HA.
20	anonymous	We believe so but representative bodies for PRPs themselves may be better placed to provide a view.
21	anonymous	The changes proposed align with Sovereign's current underlying data collection practices, and we do not expect that it should impose any additional administrative burden to report to the updated accounting direction in the timescales outlined in the proposal.
22	anonymous	Yes
23	anonymous	Changes to the Accounting Direction are minimal so no issues are foreseen.
24	anonymous	Given the scale of the changes listed, there is sufficient time to implement these changes before the FY22-23 financial year ends. Early implementation is optional and enables individual organisations to decide themselves.

Q 10. Do you agree with these proposed changes?

23 Responses

ID	Name	Responses
1	anonymous	Yes
2	anonymous	Yes
3	anonymous	Yes
4	anonymous	Yes
5	anonymous	Yes
6	anonymous	Yes
7	anonymous	Yes
8	anonymous	Yes
9	anonymous	Yes.
10	anonymous	The enhanced definitions are valuable and the removal of the DPF warranted.
11	anonymous	Yes
12	anonymous	Yes. The additional guidance provided is welcome to ensure consistency for reporting by large PRPs.
13	anonymous	Yes
14	anonymous	Yes, subject to question 6 above
15	anonymous	Yes we agree with the changes.
16	anonymous	Yes
17	anonymous	Yes
18	anonymous	Change is more relevant / onerous for a larger HA RP.
19	anonymous	Overall, yes, subject to clarification/ confirmation of the point we make in response to Questions 5 and 8.

ID	Name	Responses
20	anonymous	We understand the rationale for each of the changes and fully support the proposal as is.
21	anonymous	Yes. Although as noted in previous answers we would welcome greater clarity in certain areas.
22	anonymous	We have no objections.
23	anonymous	We are in agreement with these changes.

11. Do you have any other comments regarding the proposed Accounting Direction?

23 Responses

ID	Name	Responses
1	anonymous	None
2	anonymous	No
3	anonymous	No
4	anonymous	No
5	anonymous	No
6	anonymous	No
7	anonymous	None
8	anonymous	No
9	anonymous	No.
10	anonymous	None
11	anonymous	None at this stage.
12	anonymous	Yes we agree with the changes.
13	anonymous	No

ID	Name	Responses
14	anonymous	Minor comment regarding tables in Note A and B. Amend formatting of rows to clearly label headings and totals to assist those new to the AD requirements and format of this note.
15	anonymous	No
16	anonymous	No
17	anonymous	None
18	anonymous	Only re section 12 if I've added it in the incorrect space in this form (I put it against Q8)
19	anonymous	No
20	anonymous	No comment.
21	anonymous	No
22	anonymous	No further comments.
23	anonymous	No further comments

Q12. Do you have any comments on our business engagement assessment including in relation to equality and diversity?

23 Responses

ID	Name	Responses
1	anonymous	No
2	anonymous	No
3	anonymous	No
4	anonymous	N/a
5	anonymous	No
6	anonymous	No

ID	Name	Responses
7	anonymous	None
8	anonymous	No
9	anonymous	No.
10	anonymous	None
11	anonymous	We have no comments.
12	anonymous	No
13	anonymous	Agree with the Business Engagement Assessment that there are no apparent equality and / or diversity implications arising from the proposals.
14	anonymous	No
15	anonymous	No
16	anonymous	No
17	anonymous	None
18	anonymous	No
19	anonymous	No
20	anonymous	No comment.
21	anonymous	No
22	anonymous	No further comments.
23	anonymous	Nothing to note