



Regulator of
Social Housing

Consultation on a revised Accounting Direction

Decision Statement



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Consultation on a revised Accounting Direction – Decision Statement

1. Introduction

- 1.1. The Regulator of Social Housing published a consultation on the revised Accounting Direction¹ on 8 November 2018. The consultation closed on 20 December 2018.
- 1.2. This document provides a summary of the key areas of feedback and sets out the regulator's decision on the final Accounting Direction. The change will come into effect for accounting periods commencing 1 January 2019 and later. This document is not intended to be an exhaustive exploration of all responses received (all of which have been considered, and where relevant, taken into account in reaching the conclusions set out in this Decision Statement), but a summary of the key issues and comments made. A list of respondents is provided in Annex 1.
- 1.3. The Business Engagement Assessment (BEA) with Equality Analysis has also been reviewed in light of the responses received. The final version of the Accounting Direction is provided in Annex 3.

2. Overview

- 2.1. The current Accounting Direction dates from 2015. The revised Direction is intended to:
 - take account of changes to the Value for Money (VfM) Standard which was subject to a separate consultation
 - accommodate the legislative abolition of the Disposal Proceeds Fund (DPF)
 - reflect wider changes in legislation and changes in accounting standards and recommended practice.
- 2.2. Alongside our published public consultation we engaged in discussions with the sector and sector auditors (i.e. bodies who represent the interests of private registered providers) about the changes in order to inform our proposals.
- 2.3. As part of the consultation we put forward a number of questions, each asking for views on a different aspect of the revised wording to the Accounting Direction and the timetable for implementation.

¹ <https://www.gov.uk/government/consultations/consultation-on-changes-to-the-accounting-direction>

3. Summary of responses

- 3.1. A total of 17 responses were received, 15 via Survey Monkey and two via email.
- 3.2. Three of the responses submitted via Survey Monkey did not actually respond to any of the questions asked. They have therefore been excluded from the analysis. The remaining 12 of the Survey Monkey responses were added to the total received by email and the analysis of responses was carried out on a total of 14 responses.
- 3.3. Of the completed responses received, 11 were from private registered providers, one from an auditor to the sector and one response from an individual. There was also a response from the Institute of Chartered Accountants in England and Wales (ICAEW). Their response represented consultation with ICAEW's Business Law Committee and its Social housing sub-committee, which includes representatives from auditors to the sector, registered providers and the National Housing Federation.

It therefore represents a significantly important response from a body representing the interests of private registered providers, and it is known that a number of auditors submitted their responses via this route rather than direct to the consultation.

4. Analysis of individual questions

Question 1

4.1. 14 respondents provided a response to this question.

Table 1: Overview of responses to Question 1

Question 1 – overview	Yes	Yes%	No	No%
Does the proposed Direction adequately reflect the requirements of the current VfM Standard and regulatory framework?	13	92.9%	1	7.1%

Issues raised by the response to Question 1

- 4.2. The overall response to this question was very positive with only one (7.1%) respondent saying that the proposed rewording did not adequately reflect the requirements of the VfM Standard and regulatory framework. This respondent did not like the way in which the VfM Standard requires disclosure within the financial statements. That requirement was imposed following the VfM Standard consultation², and this consultation merely deals with implementing that Standard. The comments raised regarding VfM have been passed to the appropriate staff.
- 4.3. Respondents welcomed the move away from a narrative approach to VfM reporting and supported the metrics approach that has been implemented. It was agreed by respondents that the proposed changes adequately reflect the metrics and requirements set out in the revised VfM Standard.

Question 2

4.4. 14 respondents responded to this question.

Table 2: Overview of responses to Question 2

Question 2 – overview	Yes	Yes %	No	No %
Does the proposed Direction adequately reflect the requirements following the abolition of the Disposal Proceeds Fund?	13	92.9%	1	7.1%

² <https://www.gov.uk/government/consultations/consultation-on-the-value-for-money-standard>

Issues raised by the response to Question 2

- 4.5. The response to this question was positive with only one respondent disagreeing with the question. This respondent raised an apparent inconsistency with funding body requirements regarding the treatment of certain transactions post 6 April 2017, which was raised by others. This will be discussed further in the next paragraph.
- 4.6. Others agreed that the proposals adequately reflected the run-down of DPF following the changes introduced at 6 April 2017. However, some pointed out that some of the categories of transaction would no longer be required. This is true, and as a result of the consultation responses, changes have been made to the final Direction to reflect the amendments required.
- 4.7. Others expressed satisfaction that this would lead to a reduced level of disclosure and another noted that further clarity and explanation on dealing with the run-down of DPF would be appreciated. The latter will be dealt with as a part of the programme dealing with the abolition of DPF –the regulator has recently written to those PRPs with remaining DPF balances³.

Question 3

- 4.8. All respondents responded to this question.

Table 3: Overview of responses to Question 3

Question 3 – overview	Yes	Yes %	No	No %
Do you agree with these proposed changes?	14	100%	0	0%

Issues raised by the response to Question 3

- 4.9. This question referred to the various other changes that were made to the Accounting Direction. These were all seen to be satisfactory; some further suggestions were made particularly around the choices now available on the disclosure of profits or losses on disposals of fixed assets, payment of termination benefits and details of dividends and distributions. As a result, further changes have been made to the Direction in order to improve clarity and remove duplication with FRS 102.

³ <https://www.gov.uk/government/publications/disposal-proceeds-fund>

Question 4

4.10. All respondents responded to this question.

Table 4: Overview of responses to Question 4

Question 4 – overview	Yes	Yes %	No	No %
Does the proposed implementation date provide PRPs an adequate timescale to implement the requirements of the Direction?	13	92.9%	1	7.1%

Issues raised by the response to Question 4

- 4.11. One respondent disagreed with this question which asked whether an adequate timescale had been allowed for implementation. However, no further comment was made on this subject so it is not possible to understand the respondent's concerns regarding the proposed timescale for implementation.
- 4.12. All other respondents responded positively to this question. The regulator has considered the changes proposed as part of this consultation and is of the view that it would be possible to implement the changes within the proposed timescale without difficulty.

Question 5

4.13. All respondents responded to this question.

Table 5: Overview of responses to Question 5

Question 5 – overview	Yes	Yes %	No	No %
Do you have any comments on our business engagement assessment including in relation to equality and diversity?	0	0%	14	100%

Issues raised by the response to Question 5

- 4.14. There were no comments raised regarding the BEA so it has therefore not been amended.

5. The Regulator's response to the consultation feedback – Final position on the changes to the Accounting Direction

- 5.1. The following section seeks to address other areas of feedback that we received as a result of the consultation.

Other issues

- 5.2. The changes included within this consultation were all designed to address changes to the regulatory framework, legislative changes and other changes and updates of a minor nature intended to remove duplication of requirements and improve the clarity of published financial statements.
- 5.3. Respondents made a variety of suggestions in order to improve clarity of the document, improve disclosures and to correct an incorrect cross-reference. Most of these suggestions have been incorporated within the final Direction.
- 5.4. In the consultation document the RSH made reference to a further possible refinement of the Accounting Direction which we had been aware of as a result of engagement with the sector and stakeholders. This revolves around the inclusion of certain categories of disclosure, the nature of some data which is collected via financial returns, particularly certain categories of data including the current disclosures at note B in respect of SORP changes and operating segments required in some cases by IFRS 8. We received a number of comments in relation to this and have held discussions with interested parties. We will continue these discussions in the future and look in more detail at the nature of the Accounting Direction.
- 5.5. Due to the overwhelmingly positive response to the BEA and its equalities content, no changes are being proposed to the document. The final BEA can be found in Annex 3 to this Decision Statement.

Final position – changes to the Accounting Direction

For accounting periods commencing from 1 January 2019, the Accounting Direction will be as set out in Annex 2.

Annex 1: List of respondents to the statutory consultation on changes to the Accounting Direction

The table below shows the respondents to the consultation. Where the response was on behalf of an organisation and the respondent used a corporate email address, the organisation's name is given rather than the individual officer who completed the response. Where an individual responded we have classed these as an 'individual response'.

The Institute of Chartered Accountants in England and Wales
County Durham Housing Group
Gentoo
Great Places Housing Group
Karbon Homes
KPMG
Onward Homes
Plymouth Community Homes
Progress Housing Group
Salix Homes
Sanctuary Group
WHG
WM Housing Group
Individual x 1

Annex 2: Accounting Direction for private registered providers of social housing 2019

Overview

- 1 Private registered providers of social housing (PRPs) are required by section 127 of the Housing and Regeneration Act 2008 (the Act) to comply with a direction of the Regulator of Social Housing (the regulator) about the preparation of their accounts. Prior to 6 April 2017, PRPs were also required by section 177(4) of the Act to constitute their Disposal Proceeds Fund (DPF) and to show the DPF in their accounts in accordance with a direction of the regulator.
- 2 Section 92 (and Part 3 to Schedule 4) of the Housing and Planning Act 2016 (HPA 2016) repealed section 177 of the Act and abolished DPF with effect from 6 April 2017. However, under transitional arrangements⁴ the effect of section 177 has been preserved such that, those providers who had a DPF immediately prior to 6 April 2017, must continue to operate the DPF and comply with the regulator's Disposal Proceeds Funds Requirements until:
 - i. the fund is exhausted; or
 - ii. the PRP notifies the regulator that it is unable to use or allocate, or continue to use or allocate, funds in its DPF in accordance with this Direction; or
 - iii. until 6 April 2020;whichever is the earlier.

All references in this document to section 177 of the Act, relate to that section as preserved in accordance with the transitional provisions⁵.
- 3 The regulator has power to:
 - give directions to PRPs about the preparation of their accounts (in relation to profit-making PRPs, only in so far as its accounts relate to social housing activities). The power must be exercised with a view to ensuring that accounts are prepared in a proper form and present a true and fair view of the state of affairs in relation to the PRP's social housing activities and the disposition of funds and assets which are, or have been, in the PRP's hands in connection with those activities (section 127 of the Act).
 - direct how PRPs must constitute and present a DPF in their accounts (pursuant to section 177(4)).
- 4 This document (Accounting Direction for private registered providers of social housing 2019) sets out the regulator's directions about how PRPs must prepare their accounts in relation to the matters set out above. The regulator has conducted a public consultation⁶ including consultation with one or more bodies appearing to the regulator to represent the interests of PRPs (in compliance with section 127(6) of the Act).

⁴ Regulation 7(1) of the Housing and Planning Act 2016 (Commencement No. 4 and Transitional Provisions) Regulations 2017 (SI 2017 No 75)

⁵ Regulation 7(1) of the Housing and Planning Act 2016 (Commencement No. 4 and Transitional Provisions) Regulations 2017 (SI 2017 No 75)

⁶ <https://www.gov.uk/government/consultations/consultation-on-changes-to-the-accounting-direction>

- 5 This Direction is made without prejudice to the regulator's power to make specific directions under the provisions of the Act. Where reference is made to any legislation, standard or guidance which is subsequently amended or replaced, then the later publication should be taken to apply to this Direction until such time as it is revised.

Commencement and requirements

- 6 This Direction has effect in relation to periods of account beginning on or after 1 January 2019. It supersedes the requirements of the *Accounting Direction for private registered providers of social housing 2015*⁷ (2015 Direction). The 2015 Direction continues to apply to accounts for periods beginning before 1 January 2019 although earlier adoption of this Direction is encouraged.
- 7 This Direction applies to PRPs in terms of the preparation of their accounts⁸ and to profit-making PRPs only in so far as their accounts relate to social housing activities⁹.
- 8 The regulator directs:
- 8.1 PRPs to constitute and present a DPF in their accounts¹⁰ in accordance with Part 2 paragraph 29 of the Schedule to this Direction, but subject to the requirements set out in paragraph 2 of this Direction¹¹.
- 8.2 In accordance with section 127 of the Act as follows, every PRP must prepare their accounts:
- a. if a large PRP, so that:
 - i. if they are a non-profit PRP, information is shown in accordance with Part 1 of the Schedule
 - ii. if they are a profit-making PRP, information is shown in accordance with Part 1 of the Schedule but only in so far as its accounts relate to social housing activities.
 - b. For **all** PRPs (whether a large or small PRP), so that:
 - i. if they are a non-profit PRP, information is shown in accordance with Part 2 of the Schedule
 - ii. if they are a profit-making PRP, information is shown in accordance with Part 2 of the Schedule but only in so far as its accounts relate to social housing activities.

⁷ <https://www.gov.uk/government/publications/the-accounting-direction-for-social-housing-in-england-from-april-2015>

⁸ Housing and Regeneration Act 2008 s127(1)

⁹ Housing and Regeneration Act 2008 s127(2)

¹⁰ This requirement only relates to those PRPs that operated a DPF on or before 6 April 2017

¹¹ This requirement reflects the power of the regulator as preserved in section 177(4) of the Act

- 9 Unless required otherwise in this Direction, a PRP will still comply with this Direction, where:
- i. information is required in a specified form; the PRP prepares that information in a form substantially to the same effect as that specified
 - ii. the PRP is the parent organisation within a Group structure; that the PRP prepares consolidated financial statements where it is permitted by legislation and financial reporting standards, including FRS 102, to do so
 - iii. differences to the requirements of this Direction are required in order to comply with the applicable laws, regulations and accounting standards and associated guidelines (including SORP)¹²
 - iv. more information is given than is required by this Direction
 - v. save as is indicated otherwise OR in relation to paragraphs 27 and 28 of the Schedule Part 2, in providing the information required by Part 1 of the Schedule to this Direction, lines with a nil value can be omitted and lines where the value is not material can be aggregated.

¹² Provided that all PRPs ensure that they comply with the statutory requirements of ss128 - 140 of the Act as applicable

The Schedule to the Accounting Direction for private registered providers of social housing 2019

Part 1

See paragraph 8.2.a of the Direction: every large PRP must prepare their accounts so that the information in Notes A and B below is shown (in relation to profit-making PRPs, only in so far as its accounts relate to Social housing activities)

Note A: Particulars of turnover, cost of sales, operating expenditure and operating surplus

	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£	£	£	£
Social housing lettings (Note B)				
Other social housing activities:				
First tranche low-cost home ownership sales				
Charges for support services				
Other				
Activities other than social housing				
Total	I			

Notes:

1. Material items of social housing activity should be separately identified.
2. Where material sums are involved, additional analysis should be provided.
3. Additional lines should be included within Notes A&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/exclude in operating activities (SORP 2018 3.17 & FRS 102 5.9 & 5.9B).

Note B: Particulars of turnover and operating expenditure from social housing lettings¹³

	General needs housing	Supported housing (including housing for older people)	Other ¹⁴	2XX1 Total	2XX0 Total
Income	£	£	£	£	£
Rent receivable net of identifiable service charges ¹⁵					
Service charge income					
Amortised government grants ¹⁶					
Government grants taken to income ¹⁷					
Other grants					
Turnover from social housing lettings					
Operating expenditure					
Management					
Service charge costs					
Routine maintenance					
Planned maintenance					
Major repairs expenditure					
Bad debts					
Depreciation of housing properties					
Impairment of housing properties					
Other costs ¹⁸					
Operating expenditure on social housing lettings					
Operating surplus/(deficit) on social housing lettings					
Void losses (being rental income lost as a result of property not being let, although it is available for letting)					

¹³ This note should be completed even where an operating segment report is produced (SORP 2018 para 3.8)

¹⁴ Additional categories of social housing may be included where appropriate for the PRP

¹⁵ Rent receivable should be computed net of any voids

¹⁶ Amortised government grant as required under the accrual model as defined in FRS 102

¹⁷ Government grant taken to income as required under the performance model as defined in FRS 102

¹⁸ Costs should be allocated to main headings as far as possible, or additional lines added for material areas of expenditure

Part 2

See paragraph 8.2.b of the Direction: all PRPs must prepare their accounts so that information is shown in accordance with this Part 2 of the Schedule (in relation to profit-making PRPs, only in so far as its accounts relate to social housing activities).

Other information to be shown in the financial statements

Establishment of private registered provider

1. A statement of the legislative provisions under which the PRP is established.

Financial reporting standards

2. The basis and standards under which the accounts have been prepared. Particulars of and reasons for any material departures from those should be stated.

Analysis of intra Group transactions between PRPs and non-PRPs

3. Every PRP shall demonstrate a transparency in the flow of funds, allocation of overheads and transactions between registered and unregistered entities within the Group.
4. Where a PRP transacts with an Associate, Subsidiary or other Group member which is not a PRP or is an unregistered entity, financial statements prepared shall:
 - describe the basis of any significant apportionment, recharge or allocation of turnover, costs, assets and liabilities between the PRP and the other party
 - specify in aggregate the turnover, costs, assets or liabilities, which have been so apportioned or allocated
 - specify which Associates, Subsidiaries or other Group members have been involved in the apportionment or allocation
 - include any cross guarantees, debts between Group entities or financial support made across Group members.

Narrative reporting

5. The financial statements should be accompanied by a narrative report applicable to the constitutional structure of the PRP. This may be a strategic¹⁹ report or Directors' report (or equivalent) covering the development and provision of social housing and social housing activities for the period.
6. PRPs with at least 5,000 homes²⁰ are expected to produce a strategic report. Smaller PRPs are encouraged to publish a report commensurate with the size of the business. The report should provide a balanced and comprehensive but concise analysis consistent with the size and complexity of the business of the:
 - PRP's development and performance during the financial year, including an assessment of the business model used and key financial and non-financial indicators
 - effects of material estimates and judgements upon reported performance
 - principal risks and uncertainties facing the PRP, including factors arising from subsidiaries or joint ventures
 - main trends and factors underlying the development, performance and position of the PRP (or Group) and which are likely to affect it in the future.
7. PRPs must annually publish evidence within the statutory accounts to enable stakeholders to understand the PRP's:
 - performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers
 - measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate, and the rationale for this

in accordance with the regulator's Value for Money Standard²¹.

8. All PRPs must undertake an assessment of their compliance with the Governance and Financial Viability Standard at least once a year and PRPs must certify compliance with the Standard during the course of the year and up to the signing of the accounts within the narrative report or explain why it has not been possible to comply with the Standard. Any non-compliance identified since the previous report should be explained. The code of governance that has been adopted by the PRP should also be disclosed.

¹⁹ Financial Reporting Council Guidance on the Strategic Report

²⁰ Based upon the level recommended within the SORP

²¹ <https://www.gov.uk/guidance/regulatory-standards>

Extension of definition of Director

- 9 In paragraphs 10 to 18 below, 'Director' also includes the Chief Executive and any other person who is a member of the executive management team, or its equivalent, of the PRP.

Key management personnel

- 10 Remuneration paid to key management personnel in relation to the period of account or, where no such remuneration is so payable, a statement to that effect. The aggregate amount disclosed should separately identify sums paid to non-executive Board members, where remunerated. If non-executive Board members are not remunerated, a statement should be made to this effect.
- 11 The remuneration payable to the highest paid Director in relation to the period of account, excluding pension contributions.
- 12 The full-time equivalent number of staff whose remuneration payable in relation to the period of account fell within each band of £10,000 from £60,000 upwards. This should also include compensation for loss of office.
- 13 Details of the nature of the Chief Executive's or equivalent's pension arrangements stating:
- a. the nature of the pension scheme and how it is funded
 - b. whether he or she is an ordinary member of the pension scheme
 - c. whether any enhanced or special terms apply
 - d. whether he or she has an individual pension arrangement (including a personal pension) to which the PRP or any of its subsidiaries makes a contribution, and if so, the aggregate amount of contribution made by the PRP and its subsidiaries.
- 14 In paragraphs 10 to 13 above, remuneration includes payments in respect of a Director's services as a Director of the PRP or the Director's services (while a Director of the PRP) in connection with the management of its affairs or the affairs of any subsidiary of the PRP, whether those amounts are payable by the PRP, a parent body or any of its subsidiaries, and includes²²:
- a. wages and salaries, including performance-related pay, payable for the period
 - b. fees and dividends
 - c. sums payable by way of expense allowance (so far as chargeable to United Kingdom tax)
 - d. contributions payable in respect of pensions
 - e. termination benefits
 - f. the estimated money value of any other benefits otherwise than in cash.
- 15 The aggregate amount of any compensation payable to Directors or past Directors in relation to the period of account in respect of loss of office (whether by retirement or otherwise).

²² See also Section 28 of FRS 102 – "Employee benefits" and Chapter 15 of the SORP

- 16 The aggregate amount of Directors' or past Directors' pensions recognised within the financial statements for the year. This amount does not include any pension payable or receivable under a pension scheme if the scheme is such that the contributions under it are substantially adequate for maintenance of the scheme. The amount shown shall distinguish between pensions in respect of services as Director, whether of the PRP or any of its subsidiaries, and other pensions.

Consideration for Directors' services

- 17 The aggregate amount of any consideration payable to or receivable by third parties in relation to the period of account for making available the services of any person to perform in the role of Director of the PRP, or (while a Director of the PRP) in connection with the management of the affairs of the PRP or the affairs of any subsidiary of the PRP. 'Third parties' means persons other than a Director or a person connected with the Director or a body corporate controlled (within the meaning of section 255 of the Companies Act 2006) by that Director and the PRP or any of its subsidiaries.
- 18 In paragraph 17 above, amounts to be disclosed include benefits otherwise than in cash and, in relation to such amounts, reference to the amounts are to be the estimated money value of the benefit. The nature of such benefits should be disclosed.

Employees

- 19 The average number of employees employed during the period of account expressed in full-time equivalents, to be calculated on a basis disclosed by the PRP.

Social housing turnover and costs

- 20 Where the information in Part 1 of this Schedule has not been provided because the PRP is not a large PRP, the following information shall be given in relation to the period of account:
- a. rent receivable excluding service charges
 - b. service charges receivable
 - c. revenue, Capital Grants (including how much has been recognised within the accounts through accrual or performance model), financial assistance and any other assistance receivable from whatever source
 - d. social housing activity expenditure
 - e. operating surplus/deficit and net surplus/deficit from social housing activities
 - f. void losses (being rental income lost as a result of property not being let, although it is available for letting).

Financial assistance and other government grant receivable

- 21 The total accumulated amount of financial assistance and other government grant received or receivable at the date of the statement of financial position, based upon properties owned at that date, showing the extent to which amounts have been recognised in the Statement of Comprehensive Income or are held as deferred income.

External auditors

- 22 The amount of remuneration, exclusive of VAT, payable in the period of account including sums payable in respect of expenses, of the PRP's external auditors for the auditing of the accounts, including the basis of any apportionments of cost to the PRP, if applicable.
- 23 The amount of any remuneration, in relation to the period of account exclusive of VAT, including sums payable in respect of expenses, of the PRP's external auditors or their associates in respect of services other than those of auditing the accounts²³. 'Associate' has the same meaning as that set out in Schedule 1 of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

Creditors including Recycled Capital Grant Fund

- 24 In respect of each item shown under creditors in the PRP's statement of financial position:
- a. the aggregate amounts of any instrument included under that item in respect of which any security has been given by the PRP together with an indication of the nature of the security given
 - b. where the nature of the liability is debt, a summary of the main elements, showing terms of payment or repayment, and the rates of interest payable on the debt
 - c. the aggregate amount of adjustments made to the carrying value of debt in respect of finance costs, discounts and premia.
- 25 If it is not practicable to comply with paragraph 24(b) because to do so would result in a statement of excessive length, it shall be sufficient to give a summary of the main elements, showing terms of payment or repayment, and the rates of interest payable on the debts.
- 26 In respect of the Recycled Capital Grant Fund (RCGF), information as below, which may be (but does not have to be) set out in the format shown in Annex 2. Any amount is to be considered material:
- a. a reconciliation between the balance held at the beginning of the period of account and the balance at the end of the period of account, showing amounts added into and taken out of the RCGF
 - b. the source and use or allocation of funds should be disclosed
 - c. the amounts which are outstanding for three or more years or otherwise potentially due for repayment to Homes England or the Greater London Authority.

²³ PRPs subject to the Companies Act may also need to consider the requirements of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (as amended by SI 2011/2198)

Disposal Proceeds Fund

- 27 PRPs who had a DPF as at or before 6 April 2017 must constitute and present the DPF and show it in their accounts in the format shown in Annex 3²⁴. Any amount is to be considered material. PRPs are referred to the DPF requirements²⁵. The PRP must show, separately for sums arising from disposals inside and outside of the Greater London area²⁶:
- a. a reconciliation between the balance held at the beginning of the period of account and the balance at the end of the period of account, showing amounts taken out of the DPF
 - b. the source of funds
 - c. the use or allocation of funds, separately identifying transfers to other PRPs
 - d. the amounts in respect of which the PRP has paid from the DPF either to Homes England or the GLA²⁷
 - e. the amounts in respect of which the regulator may require repayment of sums in accordance with the DPF requirements.²⁸
- 28 In accordance with paragraph 2 of this Direction the DPF will operate until 6 April 2020 (unless an individual PRP meets the statutory requirements for bringing it to an end earlier).

Rent arrears

- 29 The aggregate amount of gross social housing rent arrears, the net present value adjustment where a repayment schedule is in place (and an adjustment has been made and is material) and the amount of any provisions for bad and doubtful debts. Rents paid in advance should be shown as a creditor, not netted off against arrears.

Charges

- 30 Particulars of any charge on the assets of the PRP to secure the liabilities to any other person or organisation, including, where practicable, the amount secured.

Capital funding and capital commitments

- 31 There shall be stated:
- a. the aggregated amount of contracts for capital expenditure, so far as not provided for
 - b. the aggregated amount of capital expenditure approved which has not been contracted for
 - c. an indication of the proposed financing of such expenditure, showing the amount of grant, agreed loans, loans under negotiation, property sales and any other sources of funding.

²⁴ PRPs are not required to account for the proceeds of sale of any disposal after 6 April 2017 within its disposal proceeds account (Regulation 7(2) of the Housing and Planning Act 2016 (Commencement No. 4 and Transitional Provisions) Regulations 2017 (SI 2017 No 75))

²⁵ See Glossary for definition and link to that document.

²⁶ See paragraph 2.2 of DPF requirements

²⁷ See paragraph 7.3 of DPF requirements

²⁸ See paragraph 7.1-7.2 of DPF requirements

Other commitments

- 32 Particulars shall also be given of any other financial commitments which have not been provided for and are relevant to assessing the PRP's state of affairs.

Residential accommodation owned and / or managed

- 33 The number of units of different types of social housing distinguishing between those owned and managed by the PRP at both the start and the end of the period of account and explaining reasons for the movements between these dates. Information should include: general needs housing; supported housing; housing for older people (all differentiated between that let at social rent and Affordable Rent levels); low-cost home ownership accommodation (as defined in section 70 of the Act); care homes and other social housing. PRPs must provide a full analysis appropriate to their operating circumstances.

Residential accommodation managed by others

- 34 Where social housing owned by a PRP is being managed on its behalf by another body, the number of units of social housing (which refers both to self-contained and non-self-contained homes and bed spaces) accommodation managed by other bodies at the start and the end of the period of account.

Related parties

- 35 Relationships between parents and subsidiaries and registered and unregistered Group or Associated bodies shall be disclosed irrespective of whether there have been transactions between those related parties. Other related party transactions should be disclosed in accordance with FRS 102²⁹, unless otherwise required to satisfy the requirements of paragraphs 3 or 4 of this Schedule.

²⁹ Note that 16.10 of the SORP recognises that that disclosures required within this Direction must also be made in addition to any FRS 102 requirements.

Accounting Direction Annex 1: Glossary of terms

Words and expressions used in this Direction shall, unless the context requires otherwise, have the following meanings:

‘Associate’ is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a Subsidiary nor an interest in a joint venture.

‘The Act’ means the Housing and Regeneration Act 2008.

‘Board’ means the governing body of a PRP.

‘Capital Grant’ means the grants listed in section 77(3) of the Act and grants under section 27A of the Housing Act 1996.

‘Chief Executive’ means the person who has overall responsibility for the running of the day to day affairs of the PRP’s social housing activities.

‘Director’ means a member of the Board of the PRP.

‘Disposal Proceeds Fund’ (DPF) means the fund shown separately in a PRPs accounts in accordance with section 177(1) of the Act (as preserved by transitional arrangements), in respect of which the regulator has issued the DPF requirements. For ease section 177 of the Act prior to it being repealed is set out in Annex 4.

‘Disposal Proceeds Fund Requirements’ means the document “Disposal Proceeds Fund Requirements” which sets out the regulator’s decisions on how it requires PRPs to operate a DPF. It can be found on the regulator’s website at: <https://www.gov.uk/government/publications/disposal-proceeds-fund>.

‘Financial assistance’ means that provided by Homes England and/or the Greater London Authority under section 19 of the Act or section 333 ZE of the Greater London Authority Act 1999 (respectively).

‘FRS 102’ means the Financial Reporting Standard applicable in the UK and Republic of Ireland as published and amended from time to time by the Financial Reporting Council.

‘General needs housing’ covers the bulk of social housing rental accommodation. It includes both self-contained and hostel/shared housing units and bed spaces. General needs housing is stock that is not designated for specific client groups or investment programmes.

‘Group’ in relation to a PRP means that body and its subsidiaries and associates and includes those subsidiaries and associates whether or not they are PRPs.

‘Housing for older people’ means social housing made available exclusively to older people and fully meets the definition of supported housing specified in the Welfare Reform and Work Act 2016 and regulations made under it.

‘Key management personnel’ has the same meaning as set out in section 33.6 of FRS 102, being ‘those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity’. Within a PRP these are likely to be members of a Board of management, senior management team or equivalent.

‘Large PRP’ means a PRP which owns 1,000 or more homes on the first day of the period of account.

‘Private registered provider’ (PRP) has the meaning given in section 80(3) of the Act.

‘Recycled Capital Grant Fund’ (RCGF) means the fund used to recycle grant in accordance with procedures and policies specified by the Homes England under sections 32 of the Act and by the GLA pursuant to section 333 ZE of the Greater London Authority Act 1999.

‘Social housing’ has the meaning given in sections 68 and 77 of the Act.

‘Social housing activities’ means accommodation, facilities or services provided by a registered provider in connection with the provision of social housing or its management, as determined by the Board and as discussed in the Governance and Financial Viability Standard Code of Practice.

‘Social housing lettings means activities associated with social housing accommodation and housing services provided with that accommodation.

‘SORP’ means the ‘Statement of Recommended Practice for registered social housing providers’ issued jointly by the National Housing Federation (NHF), Community Housing Cymru, the Northern Ireland Federation of Housing Associations and the Scottish Federation of Housing Associations and published by the NHF, as amended or re-issued from time to time.

‘Standards’ means the standards set by the regulator using its powers under sections 193 and 194 of the Act.

‘Subsidiary’ is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as a parent).

‘Supported housing’ has the meaning given in regulation 2 of the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 being low-cost rental accommodation provided by a registered provider which:

- a. is made available only in conjunction with the supply of support
- b. is made available exclusively to households including a person who has been identified as needing support, and
- c. falls into one or both of the following categories:
 - i. accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
 - ii. accommodation that has been designated as being available only to individuals within an identified Group with specific support needs.

For the purposes of this definition, “support” includes:

- sheltered accommodation
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities and/or disabilities
- support for offenders and people at risk of offending
- support for young people leaving care
- support for teenage parents
- support for refugees

Accounting Direction Annex 2: Format for disclosure of RCGF balances

Funds pertaining to activities within areas covered by:		Homes England	GLA
		£000	£000
Opening balance		X	X
Inputs to RCGF:	Grants recycled	X	X
	Interest accrued	X	X
	Transfers from other PRPs	X	X
Recycling of grant:	New build	(X)	(X)
	Major repairs and works to existing stock	(X)	(X)
	Transfers to other PRPs	(X)	(X)
	Other	(X)	(X)
Repayment of grant to Homes England/GLA		(X)	(X)
Closing balance		X	X
Amounts 3 years old or older where repayment may be required		X	X

Accounting Direction Annex 3: Format for disclosure of DPF balances

Funds pertaining to activities within areas covered by ³⁰ :		Homes England £000	GLA £000
Opening balance		X	X
Inputs to DPF			
(source of funds):			
	Transfers from other PRPs ³¹	X	X
Use/allocation of funds:			
	New build	(X)	(X)
	Major repairs and works to existing stock	(X)	(X)
	Transfers to other PRPs	(X)	(X)
	Other	(X)	(X)
Repayment of funds to Homes England/GLA		(X)	(X)
Closing balance		X	X
Amounts 3 years old or older where repayment may be required³²		X	X

³⁰ See paragraph 2.2 of the Disposal Proceeds Fund Requirements.

³¹ These are the amounts set out in paragraph 2.1.2(d) of the DPF Requirements

³² See paragraph 7 of the DPF Requirements

Accounting Direction Annex 4: Section 177 of the Act as at 5 April 2017

177 Separate accounting

1. The accounts of a [private registered provider] must show its net disposal proceeds, as a separate “Disposal Proceeds Fund”.
2. The following are net disposal proceeds:
 - a. net proceeds of sale to a tenant in pursuance of the right to acquire conferred by section 180
 - b. net proceeds of sale to a tenant in pursuance of the right to acquire conferred by section 16 of the Housing Act 1996 (c 52)
 - c. net proceeds of sale of property in respect of which a grant was made under section 21 of that Act
 - d. net proceeds of sale of property in respect of which a grant was made under section 19 of this Act in respect of discounts given by a registered provider on disposals of dwellings to tenants
 - e. grant received under section 20 or 21 of the 1996 Act
 - f. grant received under section 19 of this Act in respect of discounts given by a registered provider on disposals of dwellings to tenants
 - g. repayments of discount in respect of which grant was received under section 20 or 21 of the 1996 Act
 - h. repayments of discount in respect of which grant was received under section 19 of this Act in respect of discounts given by a registered provider on disposals of dwellings to tenants
 - i. other proceeds of sale specified by the regulator
 - j. other grants specified by the regulator.
3. The regulator shall determine amounts to be deducted in determining net proceeds of sale.
4. The method of constituting the Disposal Proceeds Fund and showing it in the accounts shall be in accordance with a direction of the regulator.
5. Subsections (5) to (7) of section 127 apply to a direction under this section as to a direction under that section.

6. Sections 141 and 142 apply in relation to a direction under this section as in relation to a direction under section 127.
7. Interest shall be added to the fund in accordance with a determination made by the regulator.
8. Where this section applies in relation to the proceeds of sale arising on a disposal, section 32 above, section 27 of the Housing Act 1996 (c 52) and section 52 of the Housing Act 1988 (c 50) do not apply.

Annex 3: Business Engagement Assessment

Title of proposal	Statutory consultation on Changes to the Accounting Direction
Lead regulator	<i>The Regulator of Social Housing</i>
Contact for enquiries	<i>Referrals and Regulatory Enquiries team 0300 1234 5225 enquiries@rsh.gov.uk</i>

Date of assessment	<i>Sept 2018</i>	Stage of assessment	<i>Final</i>
Net cost to business (EANCB)		Commencement date	<i>Jan 2019</i>
Which area of the UK will be affected by the change(s)?	<i>England</i>	Price and present value base years	
Does this include implementation of Red Taper Challenge commitments?	<i>No</i>	Is this directly applicable EU or other international legislation?	<i>No</i>

Brief outline of proposed change

The regulator proposes to revise its Accounting Direction for private registered providers of social housing.

Why is the change proposed? Evidence of the current problem

The Accounting Direction is made under section 127 of the Housing and Regeneration Act 2008 which gives the regulator the power to “give directions to registered providers about the preparation of their accounts.”

PRPs operate under a variety of constitutional bases where the appropriate legislation for each type of body (Companies Act, Charities Act, Co-operative and Community Benefit Societies Act) does not lead to consistent financial reporting.

The Accounting Direction ensures that PRPs report a common minimum set of disclosures within their accounts. We aim to ensure that there is no duplication of reporting requirements in the Direction and the Statement of Recommended Practice for registered social housing providers / Financial Reporting Standard 102.

The Direction ensures that useful and consistent disclosures are seen by all users of accounts and this is in the interests of the stakeholders of PRPs. The Direction also ensures that various aspects of compliance with the Regulatory Standards³³ are disclosed and certified within PRP's published accounts. This includes the Value for Money Standard, compliance with the Governance and Viability Standard and details of the code of governance adopted by the PRP.

In the three years since the last update of the Direction there have been changes to the Regulatory Standards, updated legislation and definitions and in the next year there will be a new SORP. The new SORP is partly driven by the triennial update to FRS 102 as well as revised accounting for the Social Housing Pension Scheme. The changes have been taken into account in this proposal.

The VfM Standard was subject to an extensive consultation during 2017. This Standard has, since being introduced in 2012, required demonstration of compliance through specific disclosure within the accounts. The length of VfM statements previously published led to parts of the VfM assessment sometimes being published elsewhere, such as on the PRP's website.

The result of the VfM consultation was a key decision on the critical path of how the Direction might need to be amended. The proposal is to change the current wording of the Direction so that it is more closely aligned with the revised VfM Standard, and to make it clear that evidence of compliance with the Standard must be published within the accounts (where accounts are published), and to remove references to a VfM self-assessment and other VfM documents.

The deregulatory measures included in the Housing and Planning Act 2016 included abolition of the DPF. The obligation to account for relevant disposals is currently included within the Direction but will cease after 6 April 2020. It is proposed that this change will be incorporated into the Direction with an update to the legislative background and DPF note.

There are proposals for several other changes to the Direction. These are the deletion of paragraphs where there is considered to be an equivalent and identical requirement already in FRS 102 to remove duplication. Other proposed amendments are to remove uncertainty or improve clarity. These have been identified within the consultation document.

³³ <https://www.gov.uk/guidance/regulatory-standards>

Which types of businesses will be affected? How many are affected?

The proposed revised Direction applies to all PRPs. Legislation permits the RSH to make a Direction to non-profit-making PRPs preparation of their accounts and to profit-making PRPs about their social housing activities only. The Direction covers both, as specified within the document.

All private registered providers are affected by these proposals although there is a slightly reduced disclosure regime for smaller PRPs with fewer than 1,000 units of accommodation.

These proposals do not apply to local authority registered providers.

How will the change impact these businesses?

The proposed changes should make a positive impact for PRPs as some requirements have been removed, changes have only been proposed where the regulator considers that they are essential and the regulator has attempted to provide greater clarity in the Direction.

If the proposals are adopted the main change for PRPs will be the update of reporting requirements in respect of the VfM Standard. This has already been subject to a separate consultation.

This involved removing the requirement to submit a narrative-focused VfM self-assessment and will lead to a net reduction in the regulatory burden placed on providers, as the new reporting requirement will be more focused. The new reporting requirements will enable greater transparency and comparability across the sector.

Impact on small businesses

The majority of the sector comprises of small providers/businesses. We addressed this in our consultation by minimising the impact on this section of providers in light of our duty to minimise interference and proportionality.

The consultation document proposed to continue our existing regulatory approach to regulating smaller providers of less than 1,000 units. Registered providers which own fewer than 1,000 social housing units collectively account for less than 5% of the sector's total assets, turnover and debt. As a result, the regulator considers that a different level of regulatory engagement is more proportionate. Our full approach to regulating small providers is set out in our [Regulating the Standards](https://www.gov.uk/government/publications/regulating-the-standards)³⁴ document.

³⁴ <https://www.gov.uk/government/publications/regulating-the-standards>

Equality and diversity

The regulator is mindful of its statutory equality duties under section 149 of the Equality Act 2010.

The regulator will take a proportionate approach to its equality obligations and has at this stage identified no specific equalities implications of the changes that were proposed in this consultation. The regulator's changes to the Accounting Direction constitute primarily a change to the way providers prepare their accounts rather than being directive about the individual measures providers choose to take. In this, as in all areas, the regulator's co-regulatory approach means that these decisions are for the provider to take. As a result of this, a full equality analysis has not been completed on the changes; however, equality will continue to be considered during future development of the proposals.

Although there are no apparent impacts arising from the changes, providers are responsible under their own equality duties to ensure that their decisions support the requirements of the Equality Act 2010 and meet all aspects of the General Duty.

Due to this, it is incumbent on providers to ensure that they understand and address any impact on equality when working to complete their accounts under the Accounting Direction.

The regulator has reviewed its consideration of the impacts on equality and diversity following the consultation and the analysis of stakeholder feedback to the consultation.



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RSH regulates private registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs.