



MEMORANDUM

To: Technical Representatives
From: Andrew Jarvis
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Ref: TM 04/16

HAT REGISTERED SOCIAL HOUSING PROVIDERS (RHSP) MANUAL ~ JANUARY 2015

The HAT Registered Social Housing Providers (RSHP) Manual has been updated to reflect the requirements of:

- Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- The Housing SORP 2014 Statement of Recommended Practice for Registered Social Housing Providers (SORP); and
- The Accounting Direction for Private Registered Providers of Social Housing from April 2015.

FRS 102 and the revised SORP are effective for periods commencing 1 January 2015. The Direction is mandatory for periods commencing 1 April 2015, however, early adoption is recommended where FRS 102 and the SORP are adopted prior to this.

Important Information of Auditors of Abbeyfield Societies and Almshouses

In a change to the scope of the previous SORP, paragraph 1.4 of the 2014 SORP states that it applies to all registered social housing providers, regardless of how they are constituted, **except** 'alms-houses and Abbeyfield societies not governed by the Landlord and Tenant Act 1985', instead these should (if relevant) apply the Charities SORP – this potentially represents a **significant** change in the format of the financial statements of such entities.

The main other changes introduced by the SORP are:

- The formats and accounting practices introduced by FRS 102 are reinforced by the SORP – in reality there is little difference in the interpretation of FRS 102 for an RSHP compared to any other entity;

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- The SORP requires a single Statement of Comprehensive Income to be presented, removing the option in FRS 102 to retain a separate Profit and Loss Account;
- Instead of netting grants against the cost/value of the underlying property, such grants are shown within liabilities (as any other entity would). If the property is held at cost less depreciation, the accruals model of grant accounting in FRS 102 is adopted and the grant amortised over the life of the asset. However, if the property is held at valuation, the performance method is adopted (and the grant is released to reserves once construction is complete);
- The rules about impairment have changed, and there is concern in the sector that these could result in properties being written down (normal consideration of value in use through cash flows is not relevant as properties are let out below market value). However, the impact at present is unclear;
- Where RSHPs obtain loan financing, the terms of the loans should be carefully reviewed to establish whether they are basic or non-basic financial instruments under FRS 102.

A number of other changes have also been made to the Manual, including simplifying its structure. The investments audit programme has been removed as there is now no specific requirements for RSHPs.

Finally, as letters of engagement explicitly refer to both the SORP and Direction we would recommend these are updated to reflect the revised documents.

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email andrew@hatgroup.co.uk